

**THREE RIVERS SCHOOL DISTRICT
Josephine County, Oregon**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FISCAL YEAR ENDED JUNE 30, 2012

WITH

INDEPENDENT AUDITOR'S REPORT

THREE RIVERS SCHOOL DISTRICT
Josephine County, Oregon
June 30, 2012

BOARD OF EDUCATION AS OF JUNE 30, 2012

Ron Lengwin	Chairperson
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Ron Crum	Member

ADMINISTRATION

P.O. Box 160
Murphy, Oregon 97533

Dan Huber-Kantola	Superintendent-Clerk
Lisa Cross	Accounting Manager

THREE RIVERS SCHOOL DISTRICT

Murphy, Oregon

Year Ended June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Three Rivers School District
Josephine County, Oregon

We have audited the accompanying financial statements of governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Three Rivers School District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Three Rivers School District as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2012 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors
Three Rivers School District
Josephine County, Oregon

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis, the General Fund, the Special Revenue Fund budgetary comparison information, and the Schedule of Funding Progress – Other Postemployment Benefits be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis and the Schedule of Funding Progress – Other Postemployment Benefits in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of District management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basics financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The General Fund and Special Revenue Fund budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information, as listed in the Table of Contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as listed in the Table of Contents, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplemental information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Michael L. Piels CPAs, LLP
December 27, 2012

**THREE RIVERS/JOSEPHINE COUNTY UNIT JOINT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
30 JUNE 2012**

The discussion and analysis of Three Rivers School District's financial performance provides an overall review of the District's financial activities for the fiscal year ending June 30, 2012. The intent of this discussion and analysis is to review the District's financial performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Overview of the Financial Statements

The District's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the basic financial statements. In addition to the basic financial statements, we provide supplementary information that you may also find useful.

Government-wide financial statements - The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances using the accrual basis of accounting, in a manner similar to a private-sector business. These statements include:

The ***Statement of Net Assets***, which presents information on all of the assets and liabilities of the District at year end. Net assets are what remain after the liabilities have been paid or otherwise satisfied. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The ***Statement of Activities***, which presents information showing how the net assets of the District changed over the year, by tracking revenues, expenses and other transactions that increase or reduce net assets. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

In the government-wide financial statements, the District's activities are shown in one category, *Governmental Activities*. Most of the District's functions are shown here, such as regular and special education, child nutrition services, transportation, administration, and facilities acquisition and construction. These activities are primarily financed through property taxes, Oregon's State School Fund and other intergovernmental revenues.

Fund Financial Statements - The *fund financial statements* provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives (like the Food Service Fund) or to show that it is meeting legal responsibilities for using certain grants (like Title I and other federal, state, or locally funded grants). All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds reporting focuses on showing how money flows into and out of funds, and the balances left at year-end that are available for spending. They are reported using an accounting method called modified accrual, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's operations and the services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

The District maintains many individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General, Special Revenue, Capital Projects Fund, and Debt Service Fund, all of which are considered to be major funds.

Proprietary Fund this fund is used to accumulate and allocate costs internally among the District's various functions. The District also uses its internal service fund for self-insurance purposes, primarily for employees' unemployment benefits, deductibles on insurance, and for the costs of vandalism.

Fiduciary Funds are used to account for resources held for the benefit of parties by the District in a trustee capacity. These funds include student scholarships and foundation funds. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information* concerning the District's major governmental funds.

Government-Wide Financial Analysis

Over time, net assets may serve as a useful indicator of the District's financial position; as of 30 June 2012, the District's assets exceeded its liabilities by \$25.8 million, a decrease of approximately \$2.5 million from Fiscal year 2011.

About 61% of the District's total assets signify its investment in capital assets, which consist of the District's land, buildings and improvements, equipment, and vehicles and total \$45.9 million. The remaining assets consist mainly of cash, prepaid pension asset, and receivables. A large portion of these assets, \$16.4 million is in a prepaid pension asset created by a contribution made to PERS from the 2004 pension obligation bonds.

The District's largest liability is \$45.3 million for the repayment of general and pension obligation bonds and leases. Accrued retirement benefits are \$2.1million. Current liabilities, representing about 8% of the District's total liabilities, consist primarily of payables on accounts, and salaries and benefits.

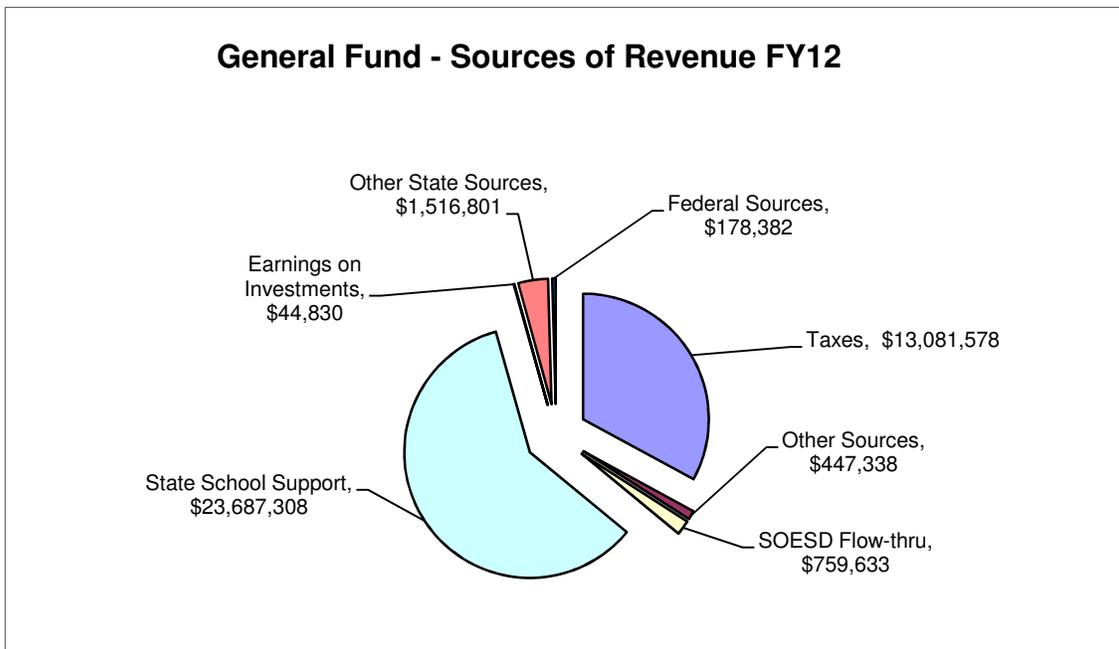
The majority of the District's net assets are investments in capital assets (such as land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students and other District residents, consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (generally property taxes), since the capital assets themselves cannot be used to liquidate these liabilities.

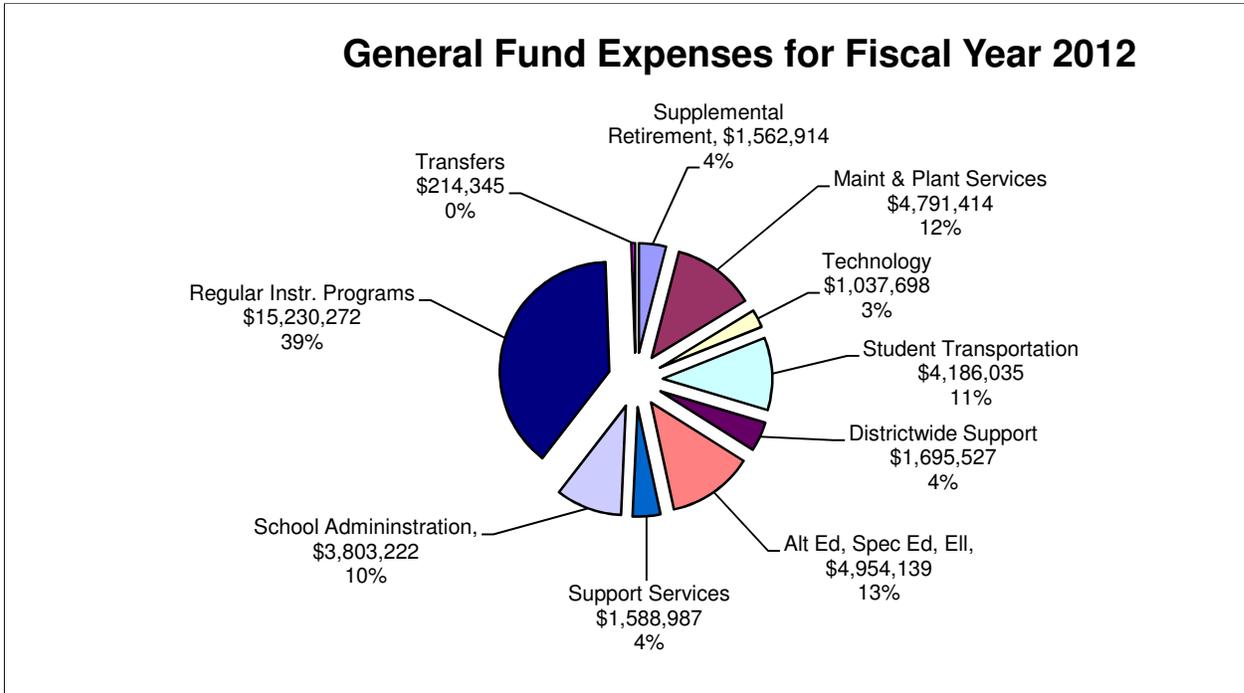
Statement of Net Assets Summary							
Governmental Activities							
	2008	2009	2010	2011	2012	Increase (Decrease) 2011 to 2012	
Current and other assets	34,094,854	32,430,677	31,791,206	30,311,500	29,008,169	(1,303,331)	
Capital assets	51,446,673	50,894,198	50,301,395	48,473,773	45,990,739	(2,483,034)	
Total assets	85,541,527	83,324,875	82,092,601	78,785,273	74,998,908	(3,786,365)	
Current liabilities	4,555,746	2,998,366	2,525,384	3,244,505	3,877,748	633,243	
Long term liabilities	51,748,550	46,831,153	48,839,443	47,173,227	45,275,520	(1,897,707)	
Total Liabilities	56,304,296	49,829,519	51,364,827	50,417,732	49,153,268	(1,264,464)	
Invested in capital assets, net of c	30,141,673	29,406,096	28,483,372	28,078,928	27,146,236	(932,692)	
Restricted	3,995,686	4,108,950	5,712,713	4,458,137	4,156,447	(301,690)	
Unrestricted	(4,900,128)	(19,691)	(3,468,311)	(4,169,524)	(5,457,043)	(1,287,519)	
Total Net Assets	29,237,231	33,495,355	30,727,774	28,367,541	25,845,640	(2,521,901)	

Financial Analysis of the District's Funds

The significance of the District's governmental funds is that they provide information about short-term cash flow and funding for future basic services. This information is useful in assessing the District's financing requirements. In particular, the *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

General Fund - The General Fund is the primary operating fund of the District. As of June 30, 2012, the fund balance was \$2.79 million; an increase of over \$650 thousand from the previous year. Over half that increase will likely be a downward adjustment in the 2012-13 State School Fund payments. While the district saw a decrease in revenues, it also reduced personnel and operating costs by eliminating 6 days from the school calendar.





Financial Analysis of the District's Funds - continued

Special Revenue – Special Revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Federal programs make up the majority of the Special Revenue funds. The ending balance is down \$285,000 from 2010-11 due entirely to reduced federal revenues.

Debt Service - The Ending Fund Balance in the debt service fund decreased by \$1.2 million. Half of the PERS Debt Service reserve was used to offset increases in PERS costs. The revenue source for general obligation bonds is through a property tax levy with the amounts based on debt service requirements and the revenue source for the limited tax pension obligation bonds is through a payroll fringe expenditure.

Capital Projects – The Ending Fund Balance in the Capital Projects fund increased this year by \$288,000 due to local revenues received and minimal project activity.

Balance Sheet Governmental Activities							Increase (Decrease)
Assets	2007	2008	2009	2010	2011	2012	2011 to 2012
Equity in cash and investments	8,685,092	9,246,093	8,341,382	7,561,652	7,397,463	7,004,095	(393,368)
Taxes receivable	650,780	717,039	949,463	1,269,233	1,355,681	1,551,197	195,516
Other receivables	1,521,586	2,020,083	1,934,364	1,976,507	2,040,965	1,798,996	(241,969)
Prepaid expenses	375,863	-	-	739,710	299,206	611,030	311,824
Total Assets	11,233,321	11,983,215	11,225,209	11,547,102	11,093,315	10,965,318	(127,997)
Liabilities							
Accounts payable	684,590	753,318	235,836	604,359	625,324	366,910	(258,414)
Accrued expenses	1,213,016	1,229,638	909,366	786,599	741,367	1,170,837	429,470
Deferred revenue	460,100	546,644	782,863	1,327,629	1,187,513	1,442,804	255,291
Total Liabilities	2,357,706	2,529,600	1,928,065	2,718,587	2,554,204	2,980,551	426,347
Fund Balances							
Non Spendable					355,458	655,067	299,609
Restricted Balances					2,817,868	1,871,512	(946,356)
Committed Balances					1,130,304	2,029,354	899,050
Assigned Balances					2,949,409	1,848,553	(1,100,856)
Unassigned Balances	8,875,614	9,453,615	9,297,145	8,828,515	1,286,072	1,580,281	294,209
Total Fund Balances	8,875,615	9,453,615	9,297,145	8,828,515	8,539,111	7,984,767	(554,344)

Capital Asset and Debt Administration

Capital Assets – The District's investment in capital assets includes land, buildings and improvements, vehicles, and equipment. As of June 30, 2012, the District had invested \$45.99 million in capital assets, net of depreciation. This is down \$2.5 million from the previous year due to the accumulated depreciation far outweighing acquisitions. The major capital asset gains were:

- Roofing at Lincoln Savage Middle School
- Fire at Fort Vannoy School
- Minolta copiers district wide

Long Term Debt – At the end of the current fiscal year, the District had total bonded debt outstanding of \$45.3 million, consisting of the following:

- PERS Bond \$25.97 million
- General Obligation Bond \$16.34 million
- QZAB Bonds \$ 1.79 million
- Capital Leases \$ 1.13 million

Additional information on the District's long-term debt can be found in Note 6 of this report.

Economic Factors & Next Year's Budget

The level of State School Funding in Oregon continues to be a significant economic factor impacting the Three Rivers School District. State revenue forecasts show virtually flat revenue growth over the next biennium, solidifying the fact that the nation continues to struggle to recover from the recession. Since 2008, Oregon unemployment rates rose from 5.2% to a high of 11% and while it has declined to 8.6% in 2012 our state is behind the nation in recovery.

A second key factor in funding for our district is declining enrollment. Since 2007 we have seen an average enrollment decrease of 3% a year due to loss of employment and affordable housing. Enrollment equates to funding, and being a rural school district reduces the opportunities for cost saving measures realized from fewer students. In addition, unreimbursed transportation puts our district at a direct disadvantage of approximately \$800,000 a year compared to neighboring districts.

Third and most predominant in school budgeting dilemmas are the drastic increases in health care costs and PERS employer contributions. PERS rates increased an average of 6.5% in the 2011-13 biennium, and according to the State PERS Board the rates will increase an additional 5.5% in the 2013-15 biennium. That coupled with the fact all district PERS Debt Service reserves will be expended in 2012-13, the Three Rivers School District is looking at an additional \$1.8 million in PERS costs for 2013-14.

All of these factors continue to require reductions in the Three Rivers School District, causing continued stress for staff and compromising the ability to provide a full school year and quality education for our students.

On a positive note, the teachers and staff are committed to the students in Josephine and Jackson counties and work diligently to provide an excellent education. For the first time since 2007 the district enrollment decline has dipped below 1% and all indicators lead us to believe it will continue slowing. Bargaining groups have worked closely with the district and taken concessions every year for the past 3 years and the Three Rivers School District has unprecedented community support, all aimed at reducing the impact of this recession on students.

The District's Budget Committee and School Board considered these factors while preparing the District's budget for the fiscal year 2012-13 year. We will continue to monitor economic and spending trends throughout the year and work toward making necessary changes to balance future budgets.

Requests for Information

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Superintendent at 8550 New Hope Road, Grants Pass, Oregon 97527.

David B. Huber-Kantola, Superintendent

Lisa Z. Cross, Accounting Manager

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**STATEMENT OF NET ASSETS
JUNE 30, 2012**

	Primary Governmental	Component
	Governmental Activities	Unit
Assets		
Cash and cash equivalents	\$ 8,222,582	\$ 318,545
Property Taxes Receivables	1,551,197	-
Other Receivables	499,918	-
Intergovernmental Accounts Receivables	1,255,041	-
Prepaid Expenses	611,030	-
Inventory	44,037	-
Prepaid Pension Asset	16,358,347	-
Bond issue costs	466,017	-
Capital assets, net of depreciation	45,990,739	-
Total Assets	74,998,908	318,545
Liabilities		
Accounts payable	391,107	-
Accrued payroll liabilities	1,170,837	-
Accrued interest	42,138	-
Accrued compensated absences	57,045	-
Deferred revenue	85,211	-
Short Term Notes Payable	-	100,000
Accrued retirement benefits	2,131,411	-
Long-term liabilities:		
Due in less than one year	2,001,266	-
Due in more than one year	43,274,254	-
Total liabilities	49,153,269	100,000
Net assets		
Invested in capital assets, net of related debt	27,146,236	-
Restricted for:		
Debt Service	1,767,682	-
Capital Projects	2,388,765	-
Unrestricted	(5,457,044)	218,545
Total net assets	\$ 25,845,639	\$ 218,545

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants	Primary Government	Component Unit
Instruction	\$ 27,630,761	\$ 1,354,781	\$ 5,844,631	\$ -	\$ (20,431,349)	\$ -
Support services	23,907,677	1,064,468	1,747,732	-	(21,095,477)	-
Community services	2,367,808	376,582	1,737,210	-	(254,016)	-
Facilities acquisition and construction	229,903	5,469	-	454,792	230,358	-
Interest on long-term debt	2,221,662	-	-	-	(2,221,662)	-
Total governmental activities	<u>56,357,811</u>	<u>2,801,300</u>	<u>9,329,573</u>	<u>454,792</u>	<u>(43,772,146)</u>	<u>-</u>
Component Unit	<u>419,262</u>	<u>2,576</u>	<u>137,943</u>		<u>-</u>	<u>(278,743)</u>
Total	<u>\$ 56,777,073</u>	<u>\$ 2,803,876</u>	<u>\$ 9,467,516</u>		<u>(43,772,146)</u>	
General Revenues						
Due in less than one year						
	Property taxes				14,929,225	-
	Construction Excise Tax				168,818	-
	State support				23,687,308	414,902
	Common school fund				431,052	-
	Federal forest fees				163,483	-
	ESD Apportionment				759,633	-
	Unrestricted State and local					
	Earnings on investments				168,114	-
	Contributions				18,090	-
	Miscellaneous				925,297	39,227
	Gain (loss) on disposal of assets				(776)	-
	Total general revenues				<u>41,250,244</u>	<u>454,129</u>
	Change in net assets				(2,521,902)	175,386
	Net assets beginning of year				<u>28,367,541</u>	<u>43,159</u>
	Net assets end of year				<u>\$ 25,845,639</u>	<u>\$ 218,545</u>

FUND FINANCIAL STATEMENTS

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012**

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL
ASSETS					
Cash and Investments	\$ 3,061,680	\$ (321)	\$ 1,578,472	\$ 2,364,264	\$ 7,004,095
Receivables:					
Accounts	308,555	164,523	-	26,840	499,918
Grants	-	1,255,041	-	-	1,255,041
Property Taxes	1,361,987	-	189,210	-	1,551,197
Prepaid	611,030	-	-	-	611,030
Inventory	44,037	-	-	-	44,037
Total Assets	\$ 5,387,289	\$ 1,419,243	\$ 1,767,682	\$ 2,391,104	\$ 10,965,318
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 247,233	\$ 117,338	\$ -	\$ 2,339	\$ 366,910
Payroll Liabilities	1,155,719	15,118	-	-	1,170,837
Deferred Revenues	1,191,489	85,211	166,104	-	1,442,804
Total Liabilities	2,594,441	217,667	166,104	2,339	2,980,551
FUND BALANCE					
Non Spendable	655,067	-	-	-	655,067
Restricted	-	8,128	1,601,578	261,806	1,871,512
Committed	557,500	-	-	1,471,854	2,029,354
Assigned	-	1,193,448	-	655,105	1,848,553
Unassigned	1,580,281	-	-	-	1,580,281
Total Fund Balances	2,792,848	1,201,576	1,601,578	2,388,765	7,984,767
Total Liabilities and Fund Balances	\$ 5,387,289	\$ 1,419,243	\$ 1,767,682	\$ 2,391,104	\$ 10,965,318

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

TOTAL FUND BALANCES		\$ 7,984,767
Prepaid pension benefit obligations are not a financial resource and therefore are not reported in the governmental funds		16,358,347
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost	\$ 112,793,159	
Accumulated depreciation	<u>(66,802,420)</u>	45,990,739
A portion of the District's property taxes are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds.		1,357,593
The unamortized portion of issuance costs is not available to pay for current period expenditures, and therefore, is not reported in the governmental funds.		466,017
Internal service funds are used by management to charge the costs of unemployment insurance premiums to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		1,194,290
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather recognized as an expenditure when due. These liabilities consist of:		
Due in less than one year		
Accrued interest payable	(42,138)	
Bonds payable, net of bond premium	(45,275,520)	
Accrued compensated absences	<u>(57,045)</u>	(45,374,703)
Other post employment benefit liability obligation is not reported in governmental funds.		<u>(2,131,411)</u>
TOTAL NET ASSETS		<u>\$ 25,845,639</u>

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL
REVENUES:					
From Local Sources	\$ 13,573,746	\$ 1,858,174	\$ 2,490,998	\$ 645,478	\$ 18,568,396
From Intermediate Sources	759,633	-	-	-	759,633
From State Sources	25,204,109	1,168,523	-	454,792	26,827,424
From Federal Sources	178,382	7,060,402	-	-	7,238,784
Total Revenues	39,715,870	10,087,099	2,490,998	1,100,270	53,394,237
EXPENDITURES					
Instruction	20,184,412	6,016,776	-	-	26,201,188
Support Services	18,665,795	2,148,384	-	405,014	21,219,193
Enterprise & Community	-	2,224,669	-	-	2,224,669
Facilities Acquisition	-	3,000	-	570,737	573,737
Debt Service	-	-	3,699,794	-	3,699,794
Total Expenditures	38,850,207	10,392,829	3,699,794	975,751	53,918,581
Excess (Deficiency) of Revenues over Expenditures	865,663	(305,730)	(1,208,796)	124,519	(524,344)
OTHER FINANCING SOURCES AND USES					
Transfers In	-	21,133	-	163,212	184,345
Transfers Out	(214,345)	-	-	-	(214,345)
Total Other Financing Sources and - Uses	(214,345)	21,133	-	163,212	(30,000)
Net Change in Fund Balance	651,318	(284,597)	(1,208,796)	287,731	(554,344)
BEGINNING FUND BALANCE					
Non Spendable	355,458	-	-	-	355,458
Restricted	-	7,494	2,810,374	-	2,817,868
Committed	500,000	10,482	-	619,822	1,130,304
Assigned	-	1,468,197	-	1,481,212	2,949,409
Unassigned	1,286,072	-	-	-	1,286,072
Beginning Fund Balance	2,141,530	1,486,173	2,810,374	2,101,034	8,539,111
FUND BALANCE					
Non Spendable	655,067	-	-	-	655,067
Restricted	-	8,128	1,601,578	261,806	1,871,512
Committed	557,500	-	-	1,471,854	2,029,354
Assigned	-	1,193,448	-	655,105	1,848,553
Unassigned	1,580,281	-	-	-	1,580,281
Ending Fund Balance	\$ 2,792,848	\$ 1,201,576	\$ 1,601,578	\$ 2,388,765	\$ 7,984,767

See accompanying notes to basic financial statements.

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

NET CHANGE IN FUND BALANCE		\$	(554,344)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>			
<p>Government funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>			
Disposal of capital assets, net	\$	(776)	
Expenditures for capital assets		380,519	
Less current year depreciation		<u>(2,862,777)</u>	(2,483,034)
<p>Repayment of principal is an expenditure in the governmental funds, but reduces the liability in the Statement of Net Assets. This is the principal payment.</p>			
			1,889,638
<p>Governmental funds report the effect of issuance costs, premiums, and discounts when debt is first issued, whereas these amounts are deferred and amortized in Statement of Activities. This amount is the net effect of these differences:</p>			
Amortization of premium (discount)		8,069	
Amortization of issuance costs		<u>(42,365)</u>	(34,296)
<p>Internal service funds are used by management to charge the costs of unemployment insurance Due in less than one year premiums to individual funds. This activity is consolidated with the governmental activities in the statement of activities.</p>			
			(57,090)
<p>In the Statement of Activities interest is accrued on long-term debt, whereas in the governmental funds it is recorded as an interest expense when due.</p>			
Interest paid		2,267,517	
Interest expense		<u>(2,265,086)</u>	2,431
<p>Prepaid pension benefit obligations are reported as an asset on the Statement of Net Assets. These amounts are amortized in the Statement of Activities.</p>			
			(1,090,557)
<p>Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities property taxes are recognized as revenue when levied.</p>			
			230,303
<p>The District implemented GASB Statement 45, which requires the District record the net post employment benefit obligation, actuarially determined. The other post employment benefit liability is not reported in government funds.</p>			
Net post employment benefit obligation actuarially determined			(454,836)
<p>Compensated absences are recognized as an expenditure in the governmental funds when they are paid. In the Statement of Activities compensated absences are recognized as an expenditure when earned.</p>			
			<u>29,883</u>
CHANGE IN NET ASSETS		<u>\$</u>	<u>(2,521,902)</u>

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**STATEMENT OF PROPRIETARY NET ASSETS
JUNE 30, 2012**

	<u>Internal Service Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 1,218,487
Total Assets	<u>\$ 1,218,487</u>
Liabilities	
Current Liabilities	
Accounts Payable	\$ 24,197
Net Assets	
Unrestricted Net Assets	<u>1,194,290</u>
Total Liabilities and Net Assets	<u>\$ 1,218,487</u>

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**STATEMENT OF CHANGES IN PROPRIETARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Internal Service Fund</u>
Operating Revenues	
Local Sources	<u>\$ 212,143</u>
Operating Expenses	
Support Services	<u>299,233</u>
Operating Income	(87,090)
Nonoperating Revenues (Expenses):	
Transfers In	<u>30,000</u>
Change in Net Assets	(57,090)
Total Net Assets Beginning of Year	<u>1,251,380</u>
Total Net Assets End of Year	<u><u>\$ 1,194,290</u></u>

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Internal Service Fund</u>
Cash Flows from Operating Activities	
Local Sources	\$ 212,143
Supporting Services	<u>(284,555)</u>
Net Cash Provided by Operating Activities	<u>(72,412)</u>
Cash Flows from Noncapital Financing Activities	
Transfers in	<u>30,000</u>
Net Cash Provided by Noncapital Financing Activities	<u>30,000</u>
Net Increase in Cash and Cash Equivalents Due in less than one year	(42,412)
Cash Balance Beginning of Year	<u>1,260,899</u>
Cash Balance End of Year	<u><u>\$ 1,218,487</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income	\$ (87,090)
Decrease in Accounts Payable	<u>14,678</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (72,412)</u></u>

See accompanying notes to basic financial statements.

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2012**

	<u>Scholarship Expendable Trust Fund</u>
Assets	
Cash and Cash Equivalents	\$ 64,456
Liabilities	
Due to Students and Other Groups	<u>-</u>
Net Assets	
Reserved for Scholarships	<u>\$ 64,456</u>

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

ADDITIONS:

Earnings on Investments	\$ 405
State Sources	438
Other Local Sources	<u>2,299</u>
Total Additions	<u>3,142</u>

REDUCTIONS:

Total Deductions	<u>1,281</u>
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Change in Net Assets	1,861
Beginning Net Assets	<u>62,595</u>
Ending Net Assets	<u><u>\$ 64,456</u></u>

NOTES TO BASIC FINANCIAL STATEMENTS

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2012

Note 1 - Summary of Significant Accounting Policies

The Reporting Entity

Three Rivers School District (the District), Murphy, Oregon, was organized under provisions of Oregon Statutes pursuant to ORS Chapter 332 for the purpose of operating elementary and secondary schools. The District is governed by a separately elected five-member Board of Education (Board) who approves the administrative officials. The daily functioning of the District is under the supervision of the Superintendent. As required by generally accepted accounting principles, all activities of the District have been included in the basic financial statements.

The District qualifies as a primary government since it has a separately elected governing body, is a legally separate entity, and is fiscally independent. In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP). The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District does have a component unit which requires inclusion in the combined financial statements.

Sunny Wolf Charter School is a non-profit corporation governed by a separate seven member board. This discretely presented component unit is fiscally dependent on Three Rivers School District. Sunny Wolf Charter School operates under authority of the Three Rivers School District, who exercises oversight as required by Oregon law. Sunny Wolf Charter School is required by Oregon law to issue separate financial statements. Copies of these financial statements may be obtained by writing to Sunny Wolf Charter School: P.O. Box 438, Wolf Creek, Oregon 97497.

There are various other governmental agencies and special service districts, which provide service within the District's boundaries. However, the District is not financially accountable for any of these entities, and therefore, none of them are considered component units or included in these basic financial statements.

The more significant of the District's accounting policies are described below.

Basis of Presentation

The financial statements of Three Rivers School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2012

Note 1 - Summary of Significant Accounting Policies (continued)

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the District. These statements include the governmental financial activities of the overall District. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed primarily through property taxes, intergovernmental revenues, and charges for services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each of its functions/programs. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to that function. Eliminations have been made to minimize the double counting of internal activities in the Statement of Activities. Program revenues include: (1) charges to students or others for tuition, fees, rentals, material, supplies or services provided, (2) operating grants and contributions and (3) capital grants and contributions.

Revenues that are not classified as program revenues, including property taxes and state support, are presented as general revenues.

Separate financial statements are presented for governmental funds and fiduciary funds. The District has an internal service fund, which is reported as a proprietary fund.

Net assets are reported as restricted when constraints placed on net asset use are either externally restricted, imposed by creditors (such as through grantors, contributors or laws) or through constitutional provisions or enabling resolutions.

Fund Financial Statements

The fund financial statements provide information about the District's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

The District reports the following major governmental funds:

General Fund - This is the District's primary operating fund and accounts for all revenues and expenditures except those required to be accounted for in another fund.

Special Revenue Fund - This fund accounts for revenue sources that are legally restricted to expenditure for specific purposes. This fund accounts for the revenues and expenditures related to Federal and State grants, as well as those related to student body activities.

Debt Service Fund - This fund accounts for the servicing of general long-term debt not being financed by the General Fund. For the District, this includes the PERS Bonds and Full Faith General Obligation Bonds payments. The principal sources of revenues are property taxes, earnings on investments, services provided to other funds and other local revenues.

Capital Projects Fund - This fund accounts for the acquisition, construction and maintenance of improvements within the District. Principal revenue sources are construction excise taxes, miscellaneous revenues, investment earnings and interfund transfers.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2012

Note 1 - Summary of Significant Accounting Policies (continued)

Additionally, the District reports the following fund type:

Internal Service Fund - The Internal Service Fund accounts for monies used for self-insurance policies. Principal revenue sources are fees charged, miscellaneous revenues and investment earnings.

The following Fiduciary funds are reported:

Fiduciary Fund - These are the funds that account for the assets held by the District as a trustee or agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. The fund included in this category is:

Private Purpose Trust Scholarship Fund - This fund accounts for resources received and held in a fiduciary capacity, in accordance with a trust agreement for student scholarships.

Measurement Focus and Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. As a general rule the effect of interfund activity has been eliminated from the governmental-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured, certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources, and early retirement benefits which are recorded when paid. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Private sector standards of accounting and reporting issued prior to December 1, 1989, generally are followed in the government-wide fund financial statements to the extent that these standards do not conflict or contradict the guidance of the Governmental Accounting Standards Board.

Cash, Cash Equivalents and Investments

The District's cash and cash equivalents consist of cash on hand, demand deposits, secured market deposit accounts, and short-term investments with original maturities of three months or less. Short-term investments are stated at cost which approximates fair value.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2012

Note 1 - Summary of Significant Accounting Policies (continued)

The District's investments, authorized under state statute, consist of banker's acceptances, commercial paper, U.S. Government Agency securities, and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). Banker's acceptances, commercial paper and U.S. Government Agency securities are stated at amortized cost which approximates fair value. The LGIP is stated at cost which approximates fair value. Fair value of the LGIP is the same as the District's value in the pool shares.

The Oregon State Treasury administers the LGIP. It is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP. The investments are regulated by the Oregon Short Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895).

Investment Income

Investment income is composed of interest and net changes in the fair value of applicable investments. Investment income is included in other local revenue in the fund financial statements, and is allocated monthly to all funds based on the fund's average cash balance.

Property Taxes Receivable

Ad valorem property taxes are levied on all taxable property as of January 1 preceding the beginning of the fiscal year. Property taxes become a lien on July 1 for personal property and real property. Property taxes are levied on July 1. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Uncollected property taxes are recorded on the Statement of Net Assets. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established.

Accounts and Other Receivables

Accounts and other receivables are comprised primarily of State school support and claims for reimbursement of costs under various federal and state grants. Due to the nature of the receivables and the likelihood of collection, no provision for uncollectibles has been made.

Grants

Unreimbursed grant expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Grant monies received prior to the occurrence of qualifying expenditures are recorded as deferred revenue.

Interfund Transactions

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. These advances (reported in "due from" asset accounts) are considered "available spendable resources".

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2012

Note 1 - Summary of Significant Accounting Policies (continued)

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

Supplies Inventory

Supplies Inventory is valued at cost using first-in, first-out method. Accounting for supplies inventory is based on the consumption method whereby inventory is recorded when purchased and expenditures/expenses are recorded when inventory items are used.

A portion of the inventory consists of donated United States Department of Agriculture (USDA) commodities. Commodities are recorded as expenditures when purchased and are stated at their fair market value based on guidelines provided by the USDA. Commodities on hand at year end are included in Supplies Inventory on the Statement of Net Assets.

Capital Assets

Capital assets are recorded at original or estimated original cost. Donated capital assets are recorded at their estimated fair market value on the date donated. The District defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life in excess of one year. Interest incurred during construction is not capitalized. Maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	25 to 50 years
Vehicles	10 to 15 years
Equipment	5 to 20 years

Retirement Plan

Substantially all of the District's employees are participants in the State of Oregon Public Employees Retirement System (PERS). Contributions to PERS are made on a current basis as required by the plan and are charged as expenditures/expenses as funded.

Compensated Absences

The District's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay. The current and long term liabilities for vested or accumulated vacation leave, compensatory time, and retirement benefits are reported on the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave or resignation.

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Long-term Debt

In the government-wide financial statements long-term debt is reported as a liability in the Statement of Net Assets. Bonds payable are reported net of the applicable bond premium or discount.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2012

Note 1 - Summary of Significant Accounting Policies (continued)

In the fund financial statements bond premiums and discounts, as well as bond issuance costs, are recognized when incurred and not deferred. The face amount of the debt issued, premiums received on debt issuances, and discounts are reported as other financing sources and uses.

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Unamortized Bond Issuance Costs

Bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

Post-employment Health Benefits

Eligible employees who elect early retirement are entitled to payment of group medical insurance premiums. Such costs are recorded as expenses in the governmental fund types as premiums become due.

Equity

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

- a. Investment in Capital assets, net of related debt – Consists of the cost of capital assets less the accumulated depreciation less any outstanding principal related to the capital asset.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definitions above.

In the fund financial statements, governmental fund equity is classified in the following categories.

Non-Spendable – Includes items not immediately converted to cash, such as prepaid items and inventory.

Restricted – Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

Committed – Includes items committed by the District's Board of Education, by formal board action.

Assigned – Includes items assigned for specific uses, authorized by the District's Superintendent and/or Business Manager.

Unassigned – This is the residual classification used for those balances not assigned to another category.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2012

Note 1 - Summary of Significant Accounting Policies (continued)

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or law or regulations of other governments.

Budget

A budget is prepared and legally adopted for each governmental fund type on the modified accrual basis of accounting. The budgetary basis of accounting is the same as accounting principles generally accepted in the United States of America for the governmental fund types, except capital outlay expenditures, including items below the District's capitalization level, are budgeted by major function in governmental fund types. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations.

Appropriations are established at the major function level (instruction, support services, enterprise and community services, facilities acquisition and construction, debt service, operating contingency and transfers) for each fund. The detailed budget document, however, is required to contain more specific, detailed information for the aforementioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution.

Supplemental budgets less than 10% of a fund's original budget may be adopted by the Board at a regular meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers within a fund between the levels of control (major function levels) with Board approval. During the year there were no resolutions appropriating unanticipated resources. Appropriations lapse at the end of each fiscal year.

Use of Estimates

The preparation of basic financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Note 2 - Equity in Pooled Cash and Investments

Cash and investments are comprised of the following as of June 30, 2012:

Deposits with financial institutions:	
Demand Deposits	\$ 3,540,218
LGIP	<u>4,746,820</u>
Total deposits with financial institutions	<u><u>\$ 8,287,038</u></u>

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2012

Note 2 - Equity in Pooled Cash and Investments (continued)

Cash and investments are shown on the basic financial statements as:

Statement of Net Assets		
Cash and Cash Equivalents		\$ 8,222,582
Statement of Fiduciary Net Assets		
Cash and Cash Equivalents		<u>64,456</u>
Total Cash and Cash Equivalents		<u><u>\$ 8,287,038</u></u>

Deposits. The Governmental Accounting Standards Boards has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the District at June 30, 2012. If bank deposits at year end are not entirely insured or collateralized with securities held by the District or by its agent in the District's name, the District must disclose the custodial credit risk that exists. Deposits with financial institutions are comprised of bank demand deposits. For the fiscal year ended June 30, 2012, the carrying amounts of the District's deposits in various financial institutions were \$3,540,218 and the bank balances were \$4,341,845. All deposits are held in the name of the District. Of the bank balance, all is considered to be covered by federal depository insurance and the State of Oregon shared liability structure for participating bank depositories in Oregon.

Effective July 1, 2008, House Bill 2901 created a shared liability structure for participating bank depositories in Oregon. Barring any exceptions, a qualifying bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of the quarter-end public fund deposits if they are adequately capitalized, or 110% of the quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public bank depositories is available to repay the deposits of public funds of governmental entities.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk.

Investments. Three Rivers School District has invested funds in the State Treasurer's Oregon Short-term Fund Local Government Investment Pool during fiscal year 2012. The Oregon Short-term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). Local Government Investment Pool (LGIP) is an external investment pool managed by the State Treasurer's office, which allow governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB statement No. 40.

In addition, the Oregon State Treasury LGIP distributes investment income on an amortized cost basis and participants' equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the District's cash position.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2012

Note 2 - Equity in Pooled Cash and Investments (continued)

Investments in the Oregon State Treasury LGIP are made under the provisions of ORS 194.180. These funds are held in the District's name and are not subject to collateralization requirements or ORS 295.015. Investments are stated at amortized cost, which approximated fair value.

State of Oregon statutes restrict the types of investments in which the District may invest. Authorized investments include obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper, and the State of Oregon Treasurer's Local Government Investment Pool. As of June 30, 2012 and for the year then ended, the District was in compliance with the aforementioned State of Oregon statutes.

Credit Risk. State Statutes authorize the District to invest primarily in general obligations of the U.S. government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, banker's acceptances, certain commercial papers, and the State Treasurer's Investment Pool, among others. The District has no formal investment policy that further restricts its investment choices.

Concentration of Credit Risk. The District is required to provide information about the concentration of credit risk associated with its investments in one issuer that represents 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The District has no such investments.

Interest Rate Risk. The District has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

<u>Investment Type</u>	<u>Maturity</u>	<u>Percentage of Portfolio</u>	<u>Fair Value</u>
State of Oregon Treasurer's Local Government Investment Pool	1 day	100%	<u>\$ 4,746,820</u>

Note 3 - Receivables

Receivables are comprised of the following as of June 30, 2012:

	<u>Other</u>	<u>Grants</u>	<u>Property Taxes</u>	<u>Total</u>
General Fund	\$ 308,555	\$ -	\$ 1,361,987	\$ 1,670,542
Special Revenue Fund	164,523	1,255,041	-	1,419,564
Debt Service Fund	-	-	189,210	189,210
Capital Projects Fund	<u>26,840</u>	<u>-</u>	<u>-</u>	<u>26,840</u>
Total receivables	<u>\$ 499,918</u>	<u>\$ 1,255,041</u>	<u>\$ 1,551,197</u>	<u>\$ 3,306,156</u>

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2012

Note 4 - Prepaid Pension Expense

Payments for fees or services that will benefit periods beyond the fiscal year end are recorded as prepaid items. In February, 2004, Three Rivers School District issued limited tax pension obligation bonds to finance its unfunded actuarial retirement liability. As a result, the District has prepaid a significant portion of its pension expense. This prepaid amount reflects twenty-six years advance payment of the District's pension obligation. Therefore, the amounts are being amortized over the remaining life of the bond utilizing the straight-line method.

	<u>Original Issue</u>	<u>Prepaid at June 30, 2011</u>	<u>Amortization</u>	<u>Prepaid at June 30, 2012</u>
Prepaid Pension Expense	<u>\$ 24,394,028</u>	<u>\$ 17,448,904</u>	<u>\$ 1,090,557</u>	<u>\$ 16,358,347</u>

Note 5 - Capital Assets

The changes in capital assets for the year ended June 30, 2012, are as follows:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Capital assets not being depreciated				
Land	\$ 598,311	\$ -	\$ -	\$ 598,311
Construction in Progress	<u>424,970</u>	<u>-</u>	<u>(424,970)</u>	<u>-</u>
Total capital assets not being depreciated	<u>1,023,281</u>	<u>-</u>	<u>(424,970)</u>	<u>598,311</u>
Capital assets being depreciated				
Building & Improvements	105,863,848	120,513	-	105,984,361
Machinery/Equipment/Vehicles	<u>5,567,561</u>	<u>684,976</u>	<u>(42,050)</u>	<u>6,210,487</u>
Totals	<u>112,454,690</u>	<u>805,489</u>	<u>(42,050)</u>	<u>112,194,848</u>
Less accumulated depreciation for:				
Building Improvements	(62,520,498)	(2,387,129)	-	(64,907,627)
Machinery/Equipment/Vehicles	<u>(1,460,419)</u>	<u>(475,648)</u>	<u>41,274</u>	<u>(1,894,793)</u>
Total	<u>(63,980,917)</u>	<u>(2,862,777)</u>	<u>41,274</u>	<u>(66,802,420)</u>
Total capital assets, net				
Land	598,311	-	-	598,311
Construction in Progress	424,970	-	(424,970)	-
Building Improvements	43,343,350	(2,266,616)	-	41,076,734
Machinery/Equipment/Vehicles	<u>4,107,142</u>	<u>209,328</u>	<u>(776)</u>	<u>4,315,694</u>
Totals	<u>\$ 48,473,773</u>	<u>\$ (2,057,288)</u>	<u>\$ (425,746)</u>	<u>\$ 45,990,739</u>

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2012

Note 5 - Capital Assets (continued)

Depreciation expense for the year was charged to the following programs:

<u>Program</u>	
Instruction	\$ 1,488,644
Supporting Services	1,230,994
Community Services	<u>143,139</u>
 Total	 \$ <u><u>2,862,777</u></u>

Note 6 - Long-Term Debt

Qualified Zone Academy Bonds

On September 24, 2009, The District issued Qualified Zone Academy Bonds (QZAB) in the amount of \$2,000,000. The bonds purchased by All Points Capital Corp. with Section 1397E of the Internal Revenue Code, and as such, qualified for tax credits relating to the transaction. The bond proceeds were required to be used to provide for facility preservation and major maintenance in accordance with the QZAB financing plan.

To qualify for use of the QZAB proceeds, individual schools must qualify by meeting federal guidelines for certain economic demographics. The primary use of the funds was for renovations of the primary and secondary schools in the District. In addition, initial funding for the SB 1149 energy efficiency projects was provided by the QZAB proceeds so that projects could move forward in a timely manner. As SB 1149 funds become available in future years, they will then be utilized to repay a portion of the QZAB debt.

As a result of the structure of the QZAB, the District is required to repay \$2,224,816 in total principal and interest payments over the 15 year term. The District will make equal annual payments in the amount of \$133,332 through 2023. Interest expense for the fiscal year was \$22,519. For the fiscal year 2024, a balloon payment of \$358,168, which includes principal and interest, is due and payable.

<u>Year ending</u> <u>June 30th</u>	<u>QZAB Installment</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 111,486	\$ 21,846
2014	112,849	20,483
2015	114,229	19,103
2016	115,626	17,706
2017	117,040	16,292
2018-2022	607,021	59,639
2023-2025	<u>608,238</u>	<u>16,592</u>
	<u>\$ 1,786,489</u>	<u>\$ 171,661</u>

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2012

Note 6 - Long-Term Debt (continued)

Pension Obligation Bonds

On February 5, 2004, limited tax pension obligation bonds totaling \$26,620,000 were issued to finance the District's unfunded actuarially accrued liability (UAAL) with the State of Oregon Public Employees Retirement System (PERS). The issuance of the bonds was considered an advance refunding of the District's UAAL. The actual savings realized over the life of the bonds is uncertain because of the various legislative changes and legal issues pending with the PERS system which could impact the future required contribution rate. Interest expense on these bonds for the fiscal year was \$1,419,560.

General Obligation Bonds

General Obligation bonds are direct obligation and pledge the full faith and credit of the District. These bonds were issued to provide funds for the acquisition and construction of school facilities. The original amount of the General Obligation bonds issued in prior years was \$24,000,000. On January 26, 2005, the District issued \$17,720,000 of general obligation bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$17,405,000 of general obligation bonds. The interest expense on these bonds for the fiscal year was \$836,869. As a result, the refunded bonds are considered to be defeased, and the liability has been removed from the governmental activities column on the Statement of Net Assets.

Capital Leases

Various lease agreements have been entered into with interest rates varying from 1.223% to 4.478%. The District entered into two lease-purchase arrangements for computer equipment. These agreements qualify as capital leases for accounting purposes and were recorded at the present value of the future minimum lease payments as of the inception date in the Statement of Net Assets. The total cost of the lease purchase items is \$2,189,852 with a net book value of \$1,302,216.

The changes in long-term obligations for year ended June 30, 2012, are as follows:

<u>Issue Date:</u>	<u>Outstanding June 30, 2011</u>	<u>Issued</u>	<u>Matured and Redeemed</u>	<u>Outstanding June 30, 2012</u>	<u>Interest Rates</u>
PERS Bonds					
February 5, 2004	\$ 26,270,000	\$ -	\$ (305,000)	\$ 25,965,000	4.59 -5.53%
GO Bonds					
January 26, 2005	17,540,000	-	(1,205,000)	16,335,000	3.25-5.25%
QZAB Bonds					
September 24, 2009	1,896,628	-	(110,139)	1,786,489	1.23%
Capital Leases					
Various	1,402,047	-	(269,499)	1,132,548	1.22-4.48%
Total	<u>47,108,675</u>	<u>-</u>	<u>(1,889,638)</u>	<u>45,219,037</u>	
Unamortized premium / (discount)	<u>64,552</u>	<u>-</u>	<u>(8,069)</u>	<u>56,483</u>	
Total	<u>\$ 47,173,227</u>	<u>\$ -</u>	<u>\$ (1,897,707)</u>	<u>\$ 45,275,520</u>	

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2012

Note 6 - Long-Term Debt (continued)

The annual debt service requirements on long-term debt outstanding as of June 30, 2012 are as follows:

Year Ending June 30th	Bonds	Capital Leases	Total	Interest
2013	\$ 1,821,486	\$ 179,780	\$ 2,001,266	\$ 2,200,137
2014	2,032,849	112,788	2,145,637	2,126,849
2015	2,274,229	81,520	2,355,748	2,033,977
2016	2,550,626	81,051	2,631,677	1,923,102
2017	2,842,040	84,644	2,926,684	1,797,503
2018-2022	16,757,021	482,955	17,239,975	6,526,365
2023-2027	14,253,240	109,810	14,363,050	2,876,893
2028	1,555,000	-	1,555,000	85,960
Total	\$ 44,086,490	\$ 1,132,548	\$ 45,219,037	\$ 19,570,787

The District also has the following changes in Other Long Term Obligations:

	Balance 7/1/2011	Earned	Used	Balance 6/30/12	Due Within 1 Year
Compensated absences	\$ 86,928	\$ 117,615	\$ 147,498	\$ 57,045	\$ 57,045

Note 7 - Interfund Transactions

Interfund transfers during the year ended June 30, 2012, were as follows:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 214,345
Special Revenue	21,133	-
Capital Projects	163,212	-
Self Insurance	30,000	-
Total Transfers	\$ 214,345	\$ 214,345

During the 2011-12 fiscal year, the Board of Directors approved transfers out from the General Fund. Special Revenue Funds received the transfer to fund the food service required food match program. Capital Projects Fund transfer was to fund capital lease payments. The Self Insurance Fund transfer was to fund future obligations.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2012

Note 8 - Pension Plan

The District contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the District's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: The Pension Program, the defined benefit portion of the plan, applies to qualifying District employees hired after August 29, 2003, and to inactive employees who return to employment following a six-month or greater break in service. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Oregon Public Employees Retirement Board (OPERB) as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERS, PO Box 23700, Tigard, OR, 97281-3700 or by calling 503-598-7377.

Covered employees are required by state statute to contribute 6.00% of their annual salary to the system, the District contributes this 6% on their behalf. The District is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate for the qualifying employees under the OPSRP plan. The OPERF and the OPSRP rates in effect for the year ended June 30, 2011 were 10.52% and 11.04% respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. The District borrowed \$26,620,000 to prepay part of its PERS liability thereby reducing the rate paid to PERS to 2.78% on Tier 1 and Tier 2 employees, effective March 1, 2004. The District's contributions to PERS for the years ending June 30, 2012, 2011 and 2010 were \$2,638,099, \$2,374,632 and \$2,638,099, respectively, equal to the required contributions for each year. The District has included the prepaid pension asset in the Statement of Net Assets and will amortize the asset over 25 years effectively reducing the annual future pension required contribution to below the annual pension cost.

Note 9 - Contingencies

Amounts received or receivable from grantor agencies are subject to compliance audits by grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

The School District has elected, under the State Unemployment Act of July 1, 1974, to reimburse the State Employment Department for any claims paid. Reimbursements are made from the District's Unemployment Insurance Fund. The District is unable to determine at this time the amount of the contingent liability for potential unemployment insurance claims.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2012

Note 10 - Other Postemployment Benefits (OPEB)

Post Employment Stipends

Plan Description - A single-employer defined benefits supplemental early retirement program is maintained, which covers all licensed employees not receiving explicit medical benefits and who have at least 18 years of service. This program has been established under collective bargaining agreements and provides employees with a stipend of 1/84 of their final annual salary per month. Payments are made for a maximum of seven years, but in no event past age 65 or death.

Funding Policy - The benefits from this program are fully paid and, consequently, no contributions by employees are required. There is no obligation to fund these benefits in advance. The only obligation is to make current benefit payments due each fiscal year. Consequently, it has not been found necessary to establish a pension trust fund, and makes benefit payments on a pay-as-you-go basis each year out of the General Funds. An estimate of this liability for current retirees is done annually. There is no separately issued financial report for the plan.

Annual Pension Cost and Net Pension Obligation - The annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 27. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities or funding excess) over a period not to exceed thirty years. The following table shows the components of the annual (OPEB cost for the year ending June 30, 2012, the amount actually contributed to the plan, and changes in the net OPEB obligation:

	2012
Annual required contribution (ARC)	\$ 244,632
Contributions made	(46,413)
Increase (Decrease) in Net OPEB obligation	198,219
Net OPEB Obligation - Beginning of fiscal year	598,310
Net OPEB Obligation - End of fiscal year	\$ 796,529

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2012 are:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/12	\$ 244,632	22.10%	\$ 796,529

Actuarial methods and assumptions - The annual required contribution (ARC) for the current year was determined as part of the June 30, 2012 actuarial valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality, claim cost and the healthcare cost trend.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2012

Note 10 - Other Postemployment Benefits (continued)

Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to actuarial accrued liabilities for benefits.

For the initial valuation, the Projected Unit Credit Actuarial Cost Method was the valuation method used to determine the Actuarial Accrued Liability and the Normal Cost.

Under this method, the expected accrued benefit of each participant at benefit commencement (reflecting future expected increases in salaries and medical premiums) is allocated in equal proportion over the participant's years of service from hire to expected retirement. The normal cost is the present value of benefits expected to accrue in the current year.

The present value of benefits accrued in as of the valuation date is called the accrued liability. The difference between the accrued liability and the actuarial value of plan assets is called the unfunded accrued liability. The unfunded accrued liability is being amortized over the initial period of 30 years as a level percent of payroll for stipend benefits.

Schedule of Funding Progress - Stipend Benefits:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Liability (AAL)	(b) -(a) ALL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	(b-a)/c UAAL as a Percentage of Covered Payroll
7/1/2007	\$ -	\$ 1,322,774	\$ 1,322,774	0%	\$ 20,860,770	6.30%
7/1/2009	-	2,202,235	2,202,235	0%	\$ 23,019,318	9.60%
7/1/2011	-	2,070,014	2,070,014	0%	TBD	TBD

Post Employment Health and Life Insurance Subsidy

Plan Description - A single-employer defined benefit plan is maintained that provides District paid postemployment health, dental, vision and life insurance benefits to eligible employees and their spouses. There are active and retired members in the plan. Benefits and eligibility for members are established through the collective bargaining agreements.

Current administrators who have served in the administrative capacity for more than ten years as of June 30, 2004 shall receive early retirement benefits of ten years of current health insurance benefits, but not beyond age 65. All other administrators who have served in an administrative capacity for seven years, or as a licensed teacher and administrator for 18 or more years, will receive seven years of current health insurance, but not beyond age 65. Notwithstanding the above, any administrator hired after August 15, 2007, will not be eligible for any early retirement benefits. Classified bargaining unit members who have at least 20 years of service as of June 30, 2004 shall receive early retirement benefits of ten years of current health insurance benefits, but not beyond age 65. Classified bargaining unit members who have at least 15 years of service in a classified position, and are on the highest step of the salary schedule, shall receive early retirement benefits of seven years of current health insurance benefits, but no beyond age 65. However, if such an employee retires after June 30, 2011, the coverage will be for the employee only. Notwithstanding the above, any classified employee hired after June 30, 2000, will not be eligible

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2012

Note 10 - Other Postemployment Benefits (continued)

for any early retirement benefits. Licensed bargaining unit members who have at least 20 years of service and were hired in 1991 or earlier shall receive early retirement benefits of ten years of current health insurance benefits, but not beyond age 65. Notwithstanding the above, any licensed employee retiring after June 30, 2011, will not be eligible for any early retirement benefits.

Retirees pay the whole active (composite) premium unless they have District-paid coverage, in which case they pay according to the cost sharing shown under Current Premiums. There is an implicit subsidy with respect to retired employees because the medical premium rates charges for coverage typically are less than actual expected retiree claims casts. This is due to medical premium rates being determined by blending both active employees and retiree experience.

The post-retirement healthcare plan is established in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulated that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees. The difference between retiree claims cost, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums represents the District's implicit employer contribution.

An irrevocable trust (or equivalent arrangement) has not been established to account for the plan.

Funding Policy - The benefits from this program are paid as described above and the required contribution is based on projected pay-as-you-go financing requirements. There is no obligation to fund these benefits in advance.

Annual Pension Cost and Net Pension Obligation - the annual other postemployment benefits cost is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance within the parameter of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the OPEB obligation at the end of the year:

	2012
Annual required contribution	\$ 2,503,587
Contributions made	(2,246,970)
Increase in net pension obligation (NPO)	256,617
NPO (Asset) at beginning of year	1,078,265
NPO (Asset) at end of year	\$ 1,334,882

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2011 are:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB cost contributed	Net OPEB Obligation
2012	\$ 2,503,587	53.32%	\$ 1,334,882

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2012

Note 10 - Other Postemployment Benefits (continued)

Actuarial Methods and Assumptions - The annual required contribution (ARC) for the current year was determined as part of the July 1, 2009 actuarial valuation using the projected unit credit method. The objective of this method is to fund each participant's benefits under the plans as they accrue. The unfunded accrued liability is amortized over various periods, which is dependent on the employee class of life insurance. The amortized period range from 10, 20 and 30 years as a percentage of payroll. The actual assumptions included (a) an interest rate for discounting future liabilities of 4% compounded annually, a payroll growth rate of 3.0% and a payroll growth plus merit and longevity increases of 4.0% annually (b) 100% of future retirees electing to participate. The demographic assumptions, such as mortality rates, disability incidence rates, retirement rates and withdrawal rates, are the same as those used by Oregon PERS for School Districts.

Funding Status and Funding Progress - As of July 1, 2011, the plan was 0% funded. The actuarial accrued liability for benefits was \$10,629,144, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,629,144. The covered payroll (annual payroll of active employees covered by the plan) was to be determined, and the ratio of the UAAL to the covered payroll has yet to be determined. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Schedule of Funding Progress - Postemployment Health Care and Life Insurance Benefits:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b) - (a) AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	(b-a)/(c) UAAL as a Percentage of Covered Payroll
7/1/2007	\$ -	\$ 17,998,798	\$ 17,998,798	0%	\$ 20,860,770	86.30%
7/1/2009	-	19,548,007	19,548,007	0%	\$ 23,019,318	84.90%
7/1/2011	-	10,629,144	10,629,144	0%	TBD	TBD

Note 11 - Current Vulnerability Due to Certain Concentrations

The District's operations are concentrated within Josephine County. In addition, substantially all the District's revenues for continuing operations are from federal, state, and local government agencies. In the normal course of operations, the District receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Note 12 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Worker's compensation insurance is also provided through a commercial carrier. There has been no significant reduction in insurance coverage from the prior year and the District has not been required to pay any settlements in excess of insurance coverage during the past three fiscal years ending June 30, 2012.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2012

Note 13 - Economic Dependency

Statement of Financial Accounting Standards (SFAS) No. 14 requires disclosure in financial statements of a situation where one entity provides more than 10% of the audited entity's revenue. The Basic School Support funding provided by the state to all public school systems in Oregon is primarily based on student enrollment. The State provided \$23,687,308 to the District, which represents approximately 56.59% of the District's total general revenues for the year.

Note 14 – Fund Balance

	General Fund	Special Revenue Fund	Debt Service	Capital Projects	Total
<u>Restricted Fund Balance</u>					
Music Program	\$ -	\$ 8,128	\$ -	\$ -	\$ 8,128
Debt Service	-	-	1,601,578	-	1,601,578
Excise Construction Tax	-	-	-	261,806	261,806
Total	\$ -	\$ 8,128	\$ 1,601,578	\$ 261,806	\$ 1,871,512
<u>Committed Fund Balance</u>					
Fund Balance Policy	\$ 557,500	\$ -	\$ -	\$ -	\$ 557,500
Capital Projects	-	-	-	1,471,854	1,471,854
Total	\$ 557,500	\$ -	\$ -	\$ 1,471,854	\$ 2,029,354
<u>Assigned Fund Balance</u>					
Programs	\$ 398,239	\$ -	\$ -	\$ -	\$ 398,239
Student Body	723,895	-	-	-	723,895
Various	71,314	-	-	655,105	726,419
Total	\$ 1,193,448	\$ -	\$ -	\$ 655,105	\$ 1,848,553

Note 15 - Subsequent Events

Management of the District has evaluated events and transactions occurring after June 30, 2012 through the date of the financial statements, for recognition and/or disclosure in the financial statements. There were no additional events and/or transactions that required recognition and disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended JUNE 30, 2012**

	<u>GENERAL FUND</u>			VARIANCE POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES				
Local sources	\$ 13,117,827	\$ 13,117,827	\$ 13,573,746	\$ 455,919
Intermediate sources	785,000	785,000	759,633	(25,367)
State sources	24,229,179	24,809,179	25,204,109	394,930
Federal sources	<u>146,086</u>	<u>146,086</u>	<u>178,382</u>	<u>32,296</u>
TOTAL REVENUES	<u>38,278,092</u>	<u>38,858,092</u>	<u>39,715,870</u>	<u>857,778</u>
EXPENDITURES				
Current				
Instruction	20,055,423	20,787,923	20,184,412	603,511
Support services	18,796,444	18,796,444	18,665,795	130,649
Contingency	<u>710,000</u>	<u>557,500</u>	<u>-</u>	<u>557,500</u>
Total expenditures	<u>39,561,867</u>	<u>40,141,867</u>	<u>38,850,207</u>	<u>1,291,660</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,283,775)</u>	<u>(1,283,775)</u>	<u>865,663</u>	<u>2,149,438</u>
Other Financing Sources (Uses)				
Transfers out	<u>(223,212)</u>	<u>(223,212)</u>	<u>(214,345)</u>	<u>8,867</u>
Net Change in Fund Balance	<u>(1,506,987)</u>	<u>(1,506,987)</u>	<u>651,318</u>	<u>2,158,305</u>
Beginning Fund Balance	<u>1,506,987</u>	<u>1,506,987</u>	<u>2,141,530</u>	<u>634,543</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,792,848</u>	<u>\$ 2,792,848</u>

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended JUNE 30, 2012**

	<u>SPECIAL REVENUE FUND</u>			VARIANCE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	POSITIVE (NEGATIVE)
REVENUES:				
From Local Sources	\$ 2,147,778	\$ 2,147,778	\$ 1,858,174	\$ (289,604)
From State Sources	1,075,256	1,075,256	1,168,523	93,267
From Federal Sources	<u>8,791,008</u>	<u>8,791,008</u>	<u>7,060,402</u>	<u>(1,730,606)</u>
Total Revenues	<u>12,014,042</u>	<u>12,014,042</u>	<u>10,087,099</u>	<u>(1,926,943)</u>
EXPENDITURES:				
Instruction	7,064,853	7,064,853	6,016,776	1,048,077
Support Services:	3,369,543	3,369,543	2,148,384	1,221,159
Enterprise and Community Services	2,582,422	2,582,422	2,224,669	357,753
Facilities Acquisition and Construction	<u>71,624</u>	<u>71,624</u>	<u>3,000</u>	<u>68,624</u>
Total Expenditures	<u>13,088,442</u>	<u>13,088,442</u>	<u>10,392,829</u>	<u>2,695,613</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,074,400)</u>	<u>(1,074,400)</u>	<u>(305,730)</u>	<u>768,670</u>
Other Financing Sources (Uses)				
Transfers in	<u>30,000</u>	<u>30,000</u>	<u>21,133</u>	<u>(8,867)</u>
Net Change in Fund Balance	(1,044,400)	(1,044,400)	(284,597)	759,803
Beginning Fund Balance	<u>1,044,400</u>	<u>1,044,400</u>	<u>1,486,173</u>	<u>441,773</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,201,576</u>	<u>\$ 1,201,576</u>

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**SCHEDULE OF FUNDING PROGRESS
For the Year Ended JUNE 30, 2012**

Valuation Date	Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL/ Payroll
07/01/07	\$ -	\$ 19,321,572	\$ 19,321,572	0.00%	\$ 20,860,770	92.62%
07/01/09	\$ -	\$ 21,750,242	\$ 21,750,242	0.00%	\$ 23,019,318	94.49%
07/01/11	\$ -	\$ 12,699,158	\$ 12,699,158	0.00%	\$ TBD	TBD

The above table represents the most recent actuarial valuation for the District's other postemployment benefits and provides information that approximates the funding progress of the plan.

SUPPLEMENTARY INFORMATION

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended JUNE 30, 2012**

<u>DEBT SERVICE FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES:				
From Local Sources:				
Earnings On Investments	\$ 22,362	\$ 22,362	\$ 18,430	\$ (3,932)
Other Local Sources	894,363	894,363	855,227	(39,136)
Taxes	<u>1,861,282</u>	<u>1,861,282</u>	<u>1,617,341</u>	<u>(243,941)</u>
Total Revenues	<u>2,778,007</u>	<u>2,778,007</u>	<u>2,490,998</u>	<u>(287,009)</u>
EXPENDITURES:				
Debt Service:				
Principal	1,796,138	1,796,138	1,510,000	286,138
Interest	<u>1,905,666</u>	<u>1,905,666</u>	<u>2,189,794</u>	<u>(284,128)</u>
Total Debt Service Expenditures	<u>3,701,804</u>	<u>3,701,804</u>	<u>3,699,794</u>	<u>2,010</u>
Net Change in Fund Balance	(923,797)	(923,797)	(1,208,796)	(284,999)
Beginning Fund Balance	<u>2,765,046</u>	<u>2,765,046</u>	<u>2,810,374</u>	<u>45,328</u>
Ending Fund Balance	<u><u>\$ 1,841,249</u></u>	<u><u>\$ 1,841,249</u></u>	<u><u>\$ 1,601,578</u></u>	<u><u>\$ (239,671)</u></u>

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended JUNE 30, 2012**

<u>CAPITAL PROJECTS FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES:				
From Local Sources:				
Earnings on Investments	\$ 7,300	\$ 7,300	\$ 89,350	\$ 82,050
Construction Exise Tax	90,000	90,000	168,818	78,818
Miscellaneous	112,669	112,669	387,310	274,641
From State Sources:	-	-	454,792	454,792
From Federal Sources:	693,517	693,517	-	(693,517)
Total Revenue	<u>903,486</u>	<u>903,486</u>	<u>1,100,270</u>	<u>196,784</u>
EXPENDITURES:				
Support Services	1,295,063	1,295,063	405,014	890,049
Facilities Acquisition and Construction	943,517	943,517	570,737	372,780
Contingency	766,014	766,014	-	766,014
Total Expenditures	<u>3,004,594</u>	<u>3,004,594</u>	<u>975,751</u>	<u>2,028,843</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(2,101,108)</u>	<u>(2,101,108)</u>	<u>124,519</u>	<u>2,225,627</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	163,212	163,212	163,212	-
Net Change in Fund Balance	<u>(1,937,896)</u>	<u>(1,937,896)</u>	<u>287,731</u>	<u>2,225,627</u>
Beginning Fund Balance	<u>1,937,896</u>	<u>1,937,896</u>	<u>2,101,034</u>	<u>163,138</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,388,765</u>	<u>\$ 2,388,765</u>

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended JUNE 30, 2012**

	<u>SELF-INSURANCE FUND</u>			
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Earnings on Investments	\$ 2,500	\$ 2,500	\$ 2,279	\$ (221)
Local Sources	<u>187,735</u>	<u>187,735</u>	<u>209,864</u>	<u>22,129</u>
Total Revenues	<u>190,235</u>	<u>190,235</u>	<u>212,143</u>	<u>21,908</u>
EXPENDITURES				
Support Services	709,986	709,986	299,233	410,753
Contingency	<u>657,888</u>	<u>657,888</u>	<u>-</u>	<u>657,888</u>
Total Expenditures	<u>1,367,874</u>	<u>1,367,874</u>	<u>299,233</u>	<u>1,068,641</u>
Excess (Deficiency) of Revenues over Expenditures	(1,177,639)	(1,177,639)	(87,090)	1,090,549
Other Financing Sources Transfers in	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Net Change in Fund Balance	(1,147,639)	(1,147,639)	(57,090)	1,090,549
Beginning Fund Balance	<u>1,147,639</u>	<u>1,147,639</u>	<u>1,251,380</u>	<u>103,741</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,194,290</u>	<u>\$ 1,194,290</u>

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended JUNE 30, 2012**

PRIVATE PURPOSE TRUST SCHOLARSHIP FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Local Sources	\$ 3,510	\$ 3,510	\$ 2,704	\$ (806)
State Sources	<u>500</u>	<u>500</u>	<u>438</u>	<u>(62)</u>
Total Revenues	<u>4,010</u>	<u>4,010</u>	<u>3,142</u>	<u>(868)</u>
EXPENDITURES				
Instruction	3,510	3,510	1,281	2,229
Contingency	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total Expenditures	<u>5,510</u>	<u>5,510</u>	<u>1,281</u>	<u>4,229</u>
Net Change in Fund Balance	(1,500)	(1,500)	1,861	3,361
Beginning Fund Balance	<u>62,698</u>	<u>62,698</u>	<u>62,595</u>	<u>(103)</u>
Ending Fund Balance	<u>\$ 61,198</u>	<u>\$ 61,198</u>	<u>\$ 64,456</u>	<u>\$ 3,258</u>

OTHER FINANCIAL SCHEDULES

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS
FOR THE YEAR ENDED JUNE 30, 2012**

	Tax Year	Uncollected July 1, 2011	Levy as Extended by Assessor	Discounts and Adjustments	Interest	Collections Per Treasurer	Uncollected June 30, 2012	
<u>GENERAL FUND:</u>								
Current	2011-2012		\$ 13,581,699	\$ (369,906)	\$ 7,997	\$ (12,548,669)	\$ 671,121	
Prior	2010-11	\$ 661,812		(3,249)	20,370	(313,809)	365,124	
	2009-10	302,730		576	19,676	(88,504)	234,478	
	2008-09	143,325		2,032	26,268	(102,711)	68,914	
	2007-08	47,953		112	10,127	(47,895)	10,297	
	2006-07	9,115		(923)	1,655	(4,079)	5,768	
	Prior	8,808		(726)	1,792	(3,589)	6,285	
Total prior		1,173,743	-	(2,178)	79,888	(560,587)	690,866	
TOTAL GENERAL FUND		\$ 1,173,743	\$ 13,581,699	\$ (372,084)	\$ 87,885	\$ (13,109,256)	\$ 1,361,987	
<u>DEBT SERVICE:</u>								
Current	2011-2012		\$ 1,665,389	\$ (45,334)	\$ 981	\$ (1,538,723)	\$ 82,313	
Prior	2010-11	\$ 103,365		(498)	3,182	(49,005)	57,044	
	2009-10	45,889		61	2,981	(13,402)	35,529	
	2008-09	22,068		291	4,041	(15,800)	10,600	
	2007-08	7,423		(4)	1,563	(7,393)	1,589	
	2006-07	1,550		(157)	282	(694)	981	
	Prior	1,643		(160)	329	(658)	1,154	
Total prior		181,938	-	(467)	12,378	(86,952)	106,897	
TOTAL DEBT SERVICE FUND		\$ 181,938	\$ 1,665,389	\$ (45,801)	\$ 13,359	\$ (1,625,675)	\$ 189,210	
						General Fund	Debt Service Fund	
						Collections	\$ 13,109,256	\$ 1,625,675
						less 60 days prior year	(204,745)	(31,817)
						add 60 days current year	170,498	23,106
						<u>\$ 13,075,009</u>	<u>\$ 1,616,964</u>	
						Deferred Property Taxes	\$ 1,191,489	\$ 166,104

SCHOOL DISTRICT FINANCIAL
ACCOUNTING SUMMARIES

**2011 - 12 DISTRICT AUDIT REVENUE SUMMARY
THREE RIVERS SCHOOL DISTRICT**

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
Revenue from Local Sources							
1110 Ad Valorem Taxes Levied by District	\$ 13,081,578		\$ 1,617,341				
1120 Local Option Ad Valorem Taxes Levied by District							
1130 Construction Excise Tax				168,818			
1200 Rev from Local Gov't Units Other Than Districts							
1310 Regular Day School Tuition	62,041						
1320 Adult/Continuing Education Tuition							
1330 Summer School Tuition		1,781					
1400 Local & Federal Sources							
1500 Earnings on Investments	44,830	13,225	18,430	89,350		2,279	405
1600 Food Service		376,582					
1700 Extracurricular Activities	44,200	1,246,760					
1800 Community Services Activities							
1910 Rentals	5,469						
1920 Contributions and Donations From Private Sources		10,975		7,115			2,299
1930 Rental or Lease Payments From Private Contractors							
1940 Services Provided Other Local Education Agencies							
1950 Textbook Sales and Rentals							
1960 Recovery of Prior Years' Expenditure							
1970 Services Provided Other Funds			855,227				
1980 Fees Charged to Grants						209,241	
1990 Miscellaneous	335,628	208,851		380,195		623	
Total Revenue from Local Sources	13,573,746	1,858,174	2,490,998	645,478	-	212,143	2,704
Revenue from Intermediate Sources							
2101 County School Funds							
2102 Education Service District Apportionment	759,633						
2105 Natural Gas, Oil, and Mineral Receipts							
2199 Other Intermediate Sources							
2200 Restricted Revenue							
2800 Revenue in Lieu of Taxes							
2900 Revenue for/on Behalf of the District							
Total Revenue from Intermediate Sources	759,633	-	-	-	-	-	-
Revenue from State Sources							
3101 State School Fund - General Support	23,687,308						
3102 State School Fund - School Lunch Match							
3103 Common School Fund	431,052						
3104 State Managed County Timber							
3199 Other Unrestricted Grants-in-Aid							
3204 Driver Education							
3222 State School Fund (SSF) Transportation Equipment							
3299 Other Restricted Grants-in-Aid	1,085,749	1,168,523		454,792			438
3800 Revenue in Lieu of Taxes							
3900 Revenue for/on Behalf of the District							
Total Revenue from State Sources	25,204,109	1,168,523	-	454,792	-	-	438
Revenue from Federal Sources							
4100 Unrestricted Revenue Direct From the Federal Government							
4200 Unrestricted Revenue From the Federal Government Through the State							
4500 Restricted Revenue From the Federal Government Through the State	14,899	6,952,991					
4700 Grants-In-Aid From the Federal Government Through Other Intermediate Agencies							
4801 Federal Forest Fees	163,483						
4802 Impact Aid to School Districts for Operation (PL 874)							
4803 Coos Bay Wagon Road Funds							
4899 Other Revenue in Lieu of Taxes							
4900 Revenue for/on Behalf of the District		107,411					
Total Revenue from Federal Sources	178,382	7,060,402	-	-	-	-	-
Revenue from Other Sources							
5100 Long Term Debt Financing Sources							
5200 Interfund Transfers		21,133		163,212		30,000	
5300 Sale of or Compensation for Loss of Fixed Assets							
5400 Resources - Beginning Fund Balance	2,141,530	1,486,173	2,810,374	2,101,034		1,251,380	62,595
Total Revenue from Other Sources	2,141,530	1,507,306	2,810,374	2,264,246	-	1,281,380	62,595
Grand Totals	\$ 41,857,400	\$ 11,594,405	\$ 5,301,372	\$ 3,364,516	\$ -	\$ 1,493,523	\$ 65,737

**2011 - 12 DISTRICT AUDIT EXPENDITURE SUMMARY
THREE RIVERS SCHOOL DISTRICT**

Fund: 100 - General Fund

		Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
Instruction Expenditures									
1111 Primary, K-3		\$ 6,383,586	\$ 4,271,600	\$ 2,043,427	\$ 7,888	\$ 60,609		\$ 62	
1113 Elementary Extracurricular		-							
1121 Middle/Junior High Programs		3,436,098	2,311,040	1,096,407	4,268	23,888		495	
1122 Middle/Junior High School Extracurricular		1,144	680	206		258			
1131 Local & Federal Sources		4,779,034	3,127,695	1,456,031	17,274	174,628		3,406	
1132 High School Extracurricular		630,411	370,870	126,350	36,035	34,382		62,774	
1140 Pre-Kindergarten Programs		-							
1210 Programs for the Talented and Gifted		-							
1220 Restrictive Programs for Students with Disabilities		1,625,896	1,018,840	580,666	10,055	16,335			
1250 Less Restrictive Programs for Students with Disabilities		2,300,809	1,410,021	706,231	148,903	35,654			
1260 Early Intervention		-							
1271 Remediation		-							
1272 Title I		-							
1280 Alternative Education		872,379	231,188	130,761	503,657	6,773			
1291 English Second Language Programs		153,544	66,801	33,322	53,179	242			
1292 Teen Parent Program		-							
1293 Migrant Education		-							
1294 Youth Corrections Education		-							
1299 Other Programs		-							
1300 Adult/Continuing Education Programs		-							
1400 Summer School Programs		1,511	1,163	348					
Total Instruction Expenditures		20,184,412	12,809,898	6,173,749	781,259	352,769	-	66,737	-
Support Services Expenditures									
2110 Attendance and Social Work Services		1,123			190	933			
2120 Guidance Services		621,661	421,279	194,645	4,421	1,316			
2130 Health Services		755				755			
2140 Psychological Services		-							
2150 Speech Pathology and Audiology Services		-							
2160 Other Student Treatment Services		-							
2190 Service Direction, Student Support Services		186,146	122,354	58,042	3,112	2,043		595	
2210 Improvement of Instruction Services		109,489	67,317	25,142	5,141	11,059		830	
2220 Educational Media Services		669,811	308,272	201,516	99,095	60,928			
2230 Assessment & Testing		-							
2240 Instructional Staff Development		3,678			3,678				
2310 Board of Education Services		86,920	14,067	9,680	54,193	1,595		7,385	
2320 Executive Administration Services		218,752	145,188	66,352	749	5,148		1,315	
2410 Office of the Principal Services		3,803,222	2,392,153	1,252,543	66,104	77,274		15,148	
2490 Other Support Services - School Administration		-							
2510 Direction of Business Support Services		234,004						234,004	
2520 Fiscal Services		589,099	157,625	326,905	70,788	12,397		21,384	
2540 Operation and Maintenance of Plant Services		4,791,413	1,558,957	901,634	2,064,884	261,431		4,507	
2550 Student Transportation Services		4,186,036	21,558	13,922	4,150,556				
2570 Internal Services		130,958	58,235	42,893	8,050	19,780		2,000	
2610 Direction of Central Support Services		-							
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services		-							
2640 Staff Services		432,116	261,661	113,137	43,756	9,444		4,118	
2660 Technology Services		1,037,698	309,159	129,773	493,132	76,146	29,188	300	
2670 Records Management Services		-							
2690 Other Support Services - Central		-							
2700 Supplemental Retirement Program		1,562,914	46,413	1,516,501					
Total Support Services Expenditures		18,665,795	5,884,238	4,852,685	7,067,849	540,249	29,188	291,586	-
Enterprise and Community Services Expenditures									
3100 Food Services		-							
3200 Other Enterprise Services		-							
3300 Community Services		-							
3500 Custody and Care of Children Services		-							
Total Enterprise and Community Services Expenditures		-	-	-	-	-	-	-	-
Facilities Acquisition and Construction Expenditures									
4110 Service Area Direction									
4120 Site Acquisition and Development Services									
4150 Building Acquisition, Construction, and Improvement Services									
4190 Other Facilities Construction Services									
Total Facilities Acquisition and Construction Expenditures		-	-	-	-	-	-	-	-
Other Uses Expenditures									
5100 Debt Service									
5200 Transfers of Funds		214,345							214,345
5300 Apportionment of Funds by ESD									
5400 PERS UAL Bond Lump Sum									
Total Other Uses Expenditures		214,345	-	-	-	-	-	-	214,345
Grand Total		\$ 39,064,552	\$ 18,694,136	\$ 11,026,434	\$ 7,849,108	\$ 893,018	\$ 29,188	\$ 358,323	\$ 214,345

**2011 - 12 DISTRICT AUDIT EXPENDITURE SUMMARY
THREE RIVERS SCHOOL DISTRICT**

Fund: 200 - Special Revenue

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
Instruction Expenditures								
1111 Primary, K-3	\$ 29,952	\$ 26,529	\$ 2,083		\$ 1,340			
1112 Intermediate Programs	-							
1113 Elementary Extracurricular	157,581			68,498	89,083			
1121 Middle/Junior High Programs	-							
1122 Middle/Junior High School Extracurricular	147,632			11,506	108,350		27,776	
1131 Local & Federal Sources	10,520			3,324	7,196			
1132 High School Extracurricular	899,569			273,546	441,168		184,855	
1140 Pre-Kindergarten Programs	-							
1210 Programs for the Talented and Gifted	-							
1220 Restrictive Programs for Students with Disabilities	322,255	146,695	69,389	91,415	2,490		12,266	
1250 Less Restrictive Programs for Students with Disabilities	1,068,786	690,174	378,612					
1260 Early Intervention	-							
1271 Remediation	186,339	111,812	29,871	7,684	36,972			
1272 Title I	2,361,373	1,221,264	733,076	18,891	386,706		1,436	
1280 Alternative Education	-							
1291 English Second Language Programs	5,400	3,609	515	1,258	18			
1292 Teen Parent Program	-							
1293 Migrant Education	-							
1294 Youth Corrections Education	765,065	423,689	182,790	11,026	147,560			
1299 Other Programs	(11)			90	(101)			
1300 Adult/Continuing Education Programs	-							
1400 Summer School Programs	62,315	48,322	13,993					
Total Instruction Expenditures	6,016,776	2,672,094	1,410,329	487,238	1,220,782	-	226,333	\$
Support Services Expenditures								
2110 Attendance and Social Work Services	70,791	32,697	26,176	3,452	7,315		1,151	
2120 Guidance Services	137,616	24,100	4,275	92,201	16,999		41	
2130 Health Services	49,441			47,001	2,440			
2140 Psychological Services	-							
2150 Speech Pathology and Audiology Services	-							
2160 Other Student Treatment Services	-							
2190 Service Direction, Student Support Services	19,319	10,783	8,536					
2210 Improvement of Instruction Services	880,315	456,550	181,254	30,639	76,865		135,007	
2220 Educational Media Services	312				312			
2230 Assessment & Testing	-							
2240 Instructional Staff Development	421,655	236,816	70,938	55,534	26,719		31,648	
2310 Board of Education Services	-							
2320 Executive Administration Services	-							
2410 Office of the Principal Services	176,087	95,869	48,035	4,031			28,152	
2490 Other Support Services - School Administration	-							
2510 Direction of Business Support Services	-							
2520 Fiscal Services	277,165		277,165					
2540 Operation and Maintenance of Plant Services	4,000				4,000			
2550 Student Transportation Services	68,888			68,888				
2570 Internal Services	-							
2610 Direction of Central Support Services	-							
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	15,796			14,878			918	
2640 Staff Services	285			285				
2660 Technology Services	26,714			11,709	6,708	7,497	800	
2670 Records Management Services	-							
2690 Other Support Services - Central	-							
2700 Supplemental Retirement Program	-							
Total Support Services Expenditures	2,148,384	856,815	616,379	328,618	141,358	7,497	197,717	-
Enterprise and Community Services Expenditures								
3100 Food Services	2,137,770	608,701	403,368	1,077,088	24,689		23,924	
3200 Other Enterprise Services	-							
3300 Community Services	86,899			86,859			40	
3500 Custody and Care of Children Services	-							
Total Enterprise and Community Services Expenditures	2,224,669	608,701	403,368	1,163,947	24,689	-	23,964	-
Facilities Acquisition and Construction Expenditures								
4110 Service Area Direction	-							
4120 Site Acquisition and Development Services	-							
4150 Building Acquisition, Construction, and Improvement Services	3,000				3,000			
4190 Other Facilities Construction Services	-							
Total Facilities Acquisition and Construction Expenditures	3,000	-	-	-	3,000	-	-	-
Other Uses Expenditures								
5100 Debt Service	-							
5200 Transfers of Funds	-							
5300 Apportionment of Funds by ESD	-							
5400 PERS UAL Bond Lump Sum	-							
Total Other Uses Expenditures	-	-	-	-	-	-	-	-
Grand Total	\$ 10,392,829	\$ 4,137,610	\$ 2,430,076	\$ 1,979,803	\$ 1,389,829	\$ 7,497	\$ 448,014	\$

**2011 - 12 DISTRICT AUDIT EXPENDITURE SUMMARY
THREE RIVERS SCHOOL DISTRICT**

Fund: 300 - Debt Service

Instruction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Primary, K-3	-							
1112 Intermediate Programs	-							
1113 Elementary Extracurricular	-							
1121 Middle/Junior High Programs	-							
1122 Middle/Junior High School Extracurricular	-							
1131 Local & Federal Sources	-							
1132 High School Extracurricular	-							
1140 Pre-Kindergarten Programs	-							
1210 Programs for the Talented and Gifted	-							
1220 Restrictive Programs for Students with Disabilities	-							
1250 Less Restrictive Programs for Students with Disabilities	-							
1260 Early Intervention	-							
1271 Remediation	-							
1272 Title I	-							
1280 Alternative Education	-							
1291 English Second Language Programs	-							
1292 Teen Parent Program	-							
1293 Migrant Education	-							
1294 Youth Corrections Education	-							
1299 Other Programs	-							
1300 Adult/Continuing Education Programs	-							
1400 Summer School Programs	-							

Total Instruction Expenditures

Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	-							
2120 Guidance Services	-							
2130 Health Services	-							
2140 Psychological Services	-							
2150 Speech Pathology and Audiology Services	-							
2160 Other Student Treatment Services	-							
2190 Service Direction, Student Support Services	-							
2210 Improvement of Instruction Services	-							
2220 Educational Media Services	-							
2230 Assessment & Testing	-							
2240 Instructional Staff Development	-							
2310 Board of Education Services	-							
2320 Executive Administration Services	-							
2410 Office of the Principal Services	-							
2490 Other Support Services - School Administration	-							
2510 Direction of Business Support Services	-							
2520 Fiscal Services	-							
2540 Operation and Maintenance of Plant Services	-							
2550 Student Transportation Services	-							
2570 Internal Services	-							
2610 Direction of Central Support Services	-							
2630 Information Services	-							
2640 Staff Services	-							
2660 Technology Services	-							
2670 Records Management Services	-							
2690 Other Support Services - Central	-							
2700 Supplemental Retirement Program	-							

Total Support Services Expenditures

Enterprise and Community Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	-							
3200 Other Enterprise Services	-							
3300 Community Services	-							
3500 Custody and Care of Children Services	-							

Total Enterprise and Community Services Expenditures

Facilities Acquisition and Construction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	-							
4120 Site Acquisition and Development Services	-							
4150 Building Acquisition, Construction, and Improvement Services	-							
4190 Other Facilities Construction Services	-							

Total Facilities Acquisition and Construction Expenditures

Other Uses Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	3,699,794						3,699,794	
5200 Transfers of Funds	-							
5300 Apportionment of Funds by ESD	-							
5400 Bond Lump Sum	-							

Total Other Uses Expenditures

Grand Total	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
	\$ 3,699,794	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,699,794	\$ -

**2011 - 12 DISTRICT AUDIT EXPENDITURE SUMMARY
THREE RIVERS SCHOOL DISTRICT**

Fund: 400 - Capital Projects

Instruction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Primary, K-3	-							
1112 Intermediate Programs	-							
1113 Elementary Extracurricular	-							
1121 Middle/Junior High Programs	-							
1122 Middle/Junior High School Extracurricular	-							
1131 Local & Federal Sources	-							
1132 High School Extracurricular	-							
1140 Pre-Kindergarten Programs	-							
1210 Programs for the Talented and Gifted	-							
1220 Restrictive Programs for Students with Disabilities	-							
1250 Less Restrictive Programs for Students with Disabilities	-							
1260 Early Intervention	-							
1271 Remediation	-							
1272 Title I	-							
1280 Alternative Education	-							
1291 English Second Language Programs	-							
1292 Teen Parent Program	-							
1293 Migrant Education	-							
1294 Youth Corrections Education	-							
1299 Other Programs	-							
1300 Adult/Continuing Education Programs	-							
1400 Summer School Programs	-							
Total Instruction Expenditures	-	-	-	-	-	-	-	-
Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	-							
2120 Guidance Services	-							
2130 Health Services	-							
2140 Psychological Services	-							
2150 Speech Pathology and Audiology Services	-							
2160 Other Student Treatment Services	-							
2190 Service Direction, Student Support Services	-							
2210 Improvement of Instruction Services	-							
2220 Educational Media Services	-							
2230 Assessment & Testing	-							
2240 Instructional Staff Development	-							
2310 Board of Education Services	-							
2320 Executive Administration Services	-							
2410 Office of the Principal Services	-							
2490 Other Support Services - School Administration	-							
2510 Direction of Business Support Services	-							
2520 Fiscal Services	-							
2540 Operation and Maintenance of Plant Services	405,014			231,385	23,061	150,304	264	
2550 Student Transportation Services	-							
2570 Internal Services	-							
2610 Direction of Central Support Services	-							
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	-							
2640 Staff Services	-							
2660 Technology Services	-							
2670 Records Management Services	-							
2690 Other Support Services - Central	-							
2700 Supplemental Retirement Program	-							
Total Support Services Expenditures	405,014	-	-	231,385	23,061	150,304	264	-
Enterprise and Community Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	-							
3200 Other Enterprise Services	-							
3300 Community Services	-							
3500 Custody and Care of Children Services	-							
Total Enterprise and Community Services Expenditures	-	-	-	-	-	-	-	-
Facilities Acquisition and Construction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	-							
4120 Site Acquisition and Development Services	-							
4150 Building Acquisition, Construction, and Improvement Services	570,737			740		569,747	250	
4190 Other Facilities Construction Services	-							
Total Facilities Acquisition and Construction Expenditures	570,737	-	-	740	-	569,747	250	-
Other Uses Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	-							
5200 Transfers of Funds	-							
5300 Apportionment of Funds by ESD	-							
5400 Bond Lump Sum	-							
Total Other Uses Expenditures	-	-	-	-	-	-	-	-
Grand Total	\$ 975,751	\$ -	\$ -	\$ 232,125	\$ 23,061	\$ 720,051	\$ 514	\$ -

**2011 - 12 DISTRICT AUDIT EXPENDITURE SUMMARY
THREE RIVERS SCHOOL DISTRICT**

Fund: 600 - Self Insurance

Instruction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Primary, K-3	-							
1112 Intermediate Programs	-							
1113 Elementary Extracurricular	-							
1121 Middle/Junior High Programs	-							
1122 Middle/Junior High School Extracurricular	-							
1131 Local & Federal Sources	-							
1132 High School Extracurricular	-							
1140 Pre-Kindergarten Programs	-							
1210 Programs for the Talented and Gifted	-							
1220 Restrictive Programs for Students with Disabilities	-							
1250 Less Restrictive Programs for Students with Disabilities	-							
1260 Early Intervention	-							
1271 Remediation	-							
1272 Title I	-							
1280 Alternative Education	-							
1291 English Second Language Programs	-							
1292 Teen Parent Program	-							
1293 Migrant Education	-							
1294 Youth Corrections Education	-							
1299 Other Programs	-							
1300 Adult/Continuing Education Programs	-							
1400 Summer School Programs	-							

Total Instruction Expenditures

Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	-							
2120 Guidance Services	-							
2130 Health Services	-							
2140 Psychological Services	-							
2150 Speech Pathology and Audiology Services	-							
2160 Other Student Treatment Services	-							
2190 Service Direction, Student Support Services	-							
2210 Improvement of Instruction Services	-							
2220 Educational Media Services	-							
2230 Assessment & Testing	-							
2240 Instructional Staff Development	-							
2310 Board of Education Services	-							
2320 Executive Administration Services	-							
2410 Office of the Principal Services	-							
2490 Other Support Services - School Administration	-							
2510 Direction of Business Support Services	-							
2520 Fiscal Services	156,908	83,592	55,681	2,431	15,204			
2540 Operation and Maintenance of Plant Services	7,667			1,271	6,396			
2550 Student Transportation Services	-							
2570 Internal Services	-							
2610 Direction of Central Support Services	-							
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	-							
2640 Staff Services	134,658	19,090	88,974		1,594		25,000	
2660 Technology Services	-							
2670 Records Management Services	-							
2690 Other Support Services - Central	-							
2700 Supplemental Retirement Program	-							

Total Support Services Expenditures

Enterprise and Community Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	-							
3200 Other Enterprise Services	-							
3300 Community Services	-							
3500 Custody and Care of Children Services	-							

Total Enterprise and Community Services Expenditures

Facilities Acquisition and Construction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	-							
4120 Site Acquisition and Development Services	-							
4150 Building Acquisition, Construction, and Improvement Services	-							
4190 Other Facilities Construction Services	-							

Total Facilities Acquisition and Construction Expenditures

Other Uses Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	-							
5200 Transfers of Funds	-							
5300 Apportionment of Funds by ESD	-							
5400 Bond Lump Sum	-							

Total Other Uses Expenditures

Grand Total	\$ 299,233	\$ 102,682	\$ 144,655	\$ 3,702	\$ 23,194	\$ -	\$ 25,000	\$ -
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**2011 - 12 DISTRICT AUDIT EXPENDITURE SUMMARY
THREE RIVERS SCHOOL DISTRICT**

Fund: 700 - Trust & Agency

Instruction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Primary, K-3	-							
1112 Intermediate Programs	-							
1113 Elementary Extracurricular	-							
1121 Middle/Junior High Programs	-							
1122 Middle/Junior High School Extracurricular	-							
1131 Local & Federal Sources	-							
1132 High School Extracurricular	-							
1140 Pre-Kindergarten Programs	-							
1210 Programs for the Talented and Gifted	-							
1220 Restrictive Programs for Students with Disabilities	-							
1250 Less Restrictive Programs for Students with Disabilities	-							
1260 Early Intervention	-							
1271 Remediation	-							
1272 Title I	-							
1280 Alternative Education	-							
1291 English Second Language Programs	-							
1292 Teen Parent Program	-							
1293 Migrant Education	-							
1294 Youth Corrections Education	-							
1299 Other Programs	1,281			1,281				
1300 Adult/Continuing Education Programs	-							
1400 Summer School Programs	-							
Total Instruction Expenditures	1,281	-	-	1,281	-	-	-	-

Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	-							
2120 Guidance Services	-							
2130 Health Services	-							
2140 Psychological Services	-							
2150 Speech Pathology and Audiology Services	-							
2160 Other Student Treatment Services	-							
2190 Service Direction, Student Support Services	-							
2210 Improvement of Instruction Services	-							
2220 Educational Media Services	-							
2230 Assessment & Testing	-							
2240 Instructional Staff Development	-							
2310 Board of Education Services	-							
2320 Executive Administration Services	-							
2410 Office of the Principal Services	-							
2490 Other Support Services - School Administration	-							
2510 Direction of Business Support Services	-							
2520 Fiscal Services	-							
2540 Operation and Maintenance of Plant Services	-							
2550 Student Transportation Services	-							
2570 Internal Services	-							
2610 Direction of Central Support Services	-							
2630 Information Services	-							
2640 Staff Services	-							
2660 Technology Services	-							
2670 Records Management Services	-							
2690 Other Support Services - Central	-							
2700 Supplemental Retirement Program	-							
Total Support Services Expenditures	-	-	-	-	-	-	-	-

Enterprise and Community Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	-							
3200 Other Enterprise Services	-							
3300 Community Services	-							
3500 Custody and Care of Children Services	-							
Total Enterprise and Community Services Expenditures	-	-	-	-	-	-	-	-

Facilities Acquisition and Construction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	-							
4120 Site Acquisition and Development Services	-							
4150 Building Acquisition, Construction, and Improvement Services	-							
4190 Other Facilities Construction Services	-							
Total Facilities Acquisition and Construction Expenditures	-	-	-	-	-	-	-	-

Other Uses Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	-							
5200 Transfers of Funds	-							
5300 Apportionment of Funds by ESD	-							
5400 Bond Lump Sum	-							
Total Other Uses Expenditures	-	-	-	-	-	-	-	-

Grand Total	\$ 1,281	\$ -	\$ -	\$ 1,281	\$ -	\$ -	\$ -	\$ -
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SUPPLEMENTAL INFORMATION 2011-12

THREE RIVERS SCHOOL DISTRICT

A. Energy Bills for Heating - All Funds:

Please enter your expenditures for electricity & heating fuel for these Functions & Objects

	Objects 325 & 326	
Function 2540	\$	1,349,491
Function 2550	\$	-

B. Replacement of Equipment - General Fund:

Include all General Fund Expenditures in Object 542, Except for the following exclusions:

\$ -

Exclude these functions:

Exclude these functions:

1113, 1122 & 1132	Co-curricular Activities	4150	Construction
1140	Pre-kindergarten	2550	Pupil Transportation
1300	Continuing Education	3100	Food Service
1400	Summer School	3300	Community Services

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**Independent Auditor's Report
Required by Oregon State Regulations**

We have audited the basic financial statements of the Three Rivers School District (the District) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not the objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures but were not limited to the following:

- Deposit of public funds with financial institutions under ORS Chapter 295.
- Budgets legally required under ORS Chapter 294.
- Insurance and fidelity under bonds in force or required by law.
- Programs funded from outside sources.
- Investments of surplus funds authorized under ORS Chapter 294.
- Public contracts and purchasing under ORS Chapters 279A, 279B, 279C.
- Debt limitations under ORS Chapter 328.245

In connection with our audit, nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administration Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

Accounting Systems and Internal Controls

The District's accounting and internal controls systems are adequate and the accounting records are properly maintained. The internal controls for the District are operating as designed and no material weaknesses were noted.

Collateral

Based on our review of the District's records, the District was in compliance with the provisions of ORS Chapter 295. The banks used by the District were considered qualified financial institutions for the year ended June 30, 2012.

Budget Compliance

We reviewed the preparation, adopting, and execution of the budget for the current year and the preparation and adoption of the ensuing year's budget. Based on our procedures, the District appears to have complied with statutory requirements for the current year and the ensuing year's budget.

A resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations are established by function (instruction, supporting services, community services, facilities acquisition, debt service, transfers to other funds and contingency) in all funds.

Insurance and Fidelity Bond Coverage

We reviewed the District's insurance policies and determined that such policies appeared to be in force at June 30, 2012. We are not competent by training to comment on the adequacy of the insurance policies covering District owned property at June 30, 2012.

Based on the results of our tests, the District has complied with the provisions of ORS 332.525 regarding the bonding of District personnel.

Indebtedness

The District's bonded indebtedness was in compliance with the provisions of ORS 328.245. The District was in compliance with all debt covenants and all payments were made on a timely basis.

Programs Funded From Outside Sources

We selected and tested, to the extent deemed appropriate, transactions, records, and reports relative to programs funded wholly or partially by other governmental agencies.

The results of our tests indicate, for the items tested, the District complied with the laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies, and for the items tested, financial reports and related data were in agreement with and supported by the accounting records.

Separate reports have been issued to report on compliance with appropriate laws and regulations pertaining to Federal Financial Assistance.

Investments

Based on our procedures, it appears that the District was in compliance with the legal requirements of ORS Chapter 294 pertaining to the investment of public funds.

Public Contracts and Purchasing

Based on our procedures and our review of the minutes, the District appears to have complied with the legal requirements pertaining to the awarding of public contracts and the construction of public improvements as contained in ORS Chapter 279.

State School Fund Distribution Factors

Based on our procedures, the District appears to have complied with the legal requirements as stated in ORS 327.013 and as further defined by the Oregon State Department of Education pertaining to the District's calculation and reporting of the factors used to compute the State School Fund distribution.

Internal Control

In planning and performing our audit, we considered the Three Rivers School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Three Rivers School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Three Rivers School District's internal control over financial reporting or over compliance.

No material weakness or significant deficiencies relating to the audit of the basic financial statements are reported in the report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors and management of Three Rivers School District and the State of Oregon, Division of Audits and is not intended to be and should not be used by anyone other than these specified parties.

 Stewart C. Farnelle CPA, Partner

Michael L. Piels CPAs, LLP
December 27, 2012

**Items required by the Single Audit Act
Amendments of 1996 for Federal award programs**



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Three Rivers School District
Josephine County, Oregon

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Three Rivers School District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Directors
Three Rivers School District
Josephine County, Oregon

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Three Rivers School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of the District in a separate letter dated December 27, 2012.

This report is intended solely for the information and use of management; Board of Directors, the State of Oregon, Secretary of State, Division of Audits, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stewart C. Armule CPA, Partner

Michael L. Piels CPAs, LLP
December 27, 2012

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Three Rivers School District
Josephine County, Oregon

Compliance

We have audited the compliance of the Three Rivers School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Board of Directors
Three Rivers School District
Josephine County, Oregon

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the Board of Directors, management, the State of Oregon, Secretary of State, Division of Audits, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stewart C. Parnelle CPA, Partner

Michael L. Piels CPAs, LLP
December 27, 2012

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2012**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>GRANT PERIOD</u>	<u>FEDERAL CFDA NUMBER</u>	<u>SUB GRANT NUMBER</u>	<u>PROGRAM OR AWARD AMOUNT</u>	<u>2011-2012 EXPENDITURES</u>
U.S. DEPARTMENT OF EDUCATION					
Local & Federal Sources					
Passed Through State Department of Education:					
TITLE I					
Title IA	7/2011-9/2012	84.010	22723	\$ 3,052,487	\$ 2,129,821
Title IA	7/2010-9/2011	84.010	19514	2,678,388	1,145,176
Title IA - MZ Sch Impr	7/2010-9/2011	84.010	19031	34,800	277
Title IA- MZ Sch Impr	7/2011-9/2012	84.010	24357	48,950	15,279
Title IA - MZ TIII	7/2011-9/2012	84.010	21685	35,000	35,000
Title IA- YCEP	7/2011-6/2012	84.013	24569	64,982	64,982
Title IA- YCEP	7/2010-12/2011	84.013	-	117,088	117,088
Title I - N&D SOASTC	7/2011-6/2012	84.013	-	923	923
McKinney Homeless	7/2011-9/2012	84.196	22334	50,000	17,514
McKinney Homeless	7/2010-9/2011	84.196	19893	35,658	10,416
Title IA - SIF ARRA	7/2009-9/2011	84.389	18010	33,050	6,858
TITLE IIA					
Title IIA	7/2011-9/2012	84.367	22918	435,804	272,955
Title IIA	7/2010-9/2011	84.367	19730	531,810	178,275
Improving Teacher Quality	7/2011-6/2012	84.367	24576	17,499	14,784
IDEA					
IDEA Part B	7/2011-12/2012	84.027	23707	882,347	882,347
IDEA Enhancement	7/2011-9/2012	84.027	23922	7,957	
IDEA YCEP	7/2010-12/2011	84.027	-	72,196	72,196
IDEA Part B	7/2011-6/2012	84.027	24559	43,284	43,284
SPR&I	7/2011-6/2012	84.027	23194	4,409	175
Extended Assessment	7/2011-6/2012	84.027	24085	900	900
OTHER FEDERAL PROGRAMS					
Charter School Planning Grant	7/2010-7/2011	84.282	19296	56,000	15,796
21st Century Community Learning	7/2011-9/2012	84.287	23410	364,164	225,799
21st Century Community Learning	7/2010-9/2011	84.287	19346	357,885	98,015
21st Century Community Learning	2/2010-9/2011	84.287	18712	60,689	12,027
21st Century STEM	7/2011-6/2013	84.287	24424	20,000	7,200
Gear Up	9/2011-7/2012	84.334	-	40,000	35,137
YCEP - ARRA	9/2010-9/2011	84.391	-	17,223	17,223
YCEP - ARRA Ed Jobs	9/2010-9/2011	84.410	21149	32,780	1,231
ARRA - Ed Jobs	2010-2012	84.410	20898	1,023,188	14,899
TOTAL U.S. DEPARTMENT OF EDUCATION				\$ 10,119,461	\$ 5,435,577
U.S. DEPARTMENT OF AGRICULTURE					
Passed Through State Department of Education:					
National School Breakfast Program		10.553	-	373,452	373,452
National School Lunch Program		10.555	-	1,046,725	1,046,725
Commodities Program		10.555	-	107,412	107,412
Summer Food Service Program		10.559	-	77,813	77,813
CNP Fresh Fruit & Vegetable Program		10.582	-	34,322	34,322
Passed Through Josephine County:					
Federal Forest Fees		10.666	-	163,483	163,483
TOTAL U.S. DEPARTMENT OF AGRICULTURE				1,803,207	1,803,207
TOTAL FEDERAL ASSISTANCE				\$ 11,922,668	\$ 7,238,784

Note A - Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of the Three Rivers School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements

Note B - Food Distribution

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. For the year ended June 30, 2012, the District received food commodities totaling \$107,412.

**THREE RIVERS SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

SECTION I - SUMMARY OF AUDIT RESULTS

Financial statements

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Three Rivers School District.
2. No significant deficiencies or material weaknesses in internal control were disclosed by the audit of the basic financial statements of Three Rivers School District.
3. No instances of noncompliance material to the basic financial statements of Three Rivers School District were disclosed during the audit.

Federal Awards

4. No significant deficiencies or material weaknesses in internal control over major federal programs were disclosed by the audit process.
5. The auditor's report on compliance for the major federal award programs for Three Rivers School District expresses an unqualified opinion.
5. The audit disclosed no findings that are required to be reported in accordance with section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include:

<u>U.S. Department of Education</u>	
Title II A	CFDA # 84.367
<u>U.S. Department of Agriculture</u>	
National School Breakfast	CFDA # 10.553
National School Lunch	CFDA # 10.555
National School Lunch/Breakfast/Summer	CFDA # 10.559
8. The threshold for distinguishing Types A and B Programs was \$300,000.
9. Three Rivers School District was determined to be a low-risk auditee under the criteria specified in OMB Circular A-133.

SECTION II - FINDINGS - FINANCIAL STATEMENTS AUDIT

None

SECTION III - FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

None